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TRADE AND DEVELOPMENT BOARD
Commission on Trade in Goods and
Services, and Commodities
Expert Meeting on the Impact of the Reform Process
in Agriculture on LDCs and Net Food - Importing
Developing Countries, and Ways to Address their Concerns
in Multilateral Trade Negotiations
Geneva, 24-26 July 2000
Item 2 of the provisional agenda

# PROVISIONAL AGENDA AND ANNOTATIONS

## I. Provisional agenda

1. Election of officers

2. Adoption of the agenda and organization of work

3. The impact of the reform process in agriculture on LDCs and net food - Importing developing countries - Assessment of country-specific concerns

4. Ways to address their concerns in multilateral trade negotiations

5. Adoption of the outcome of the Meeting

GE.00- 51184

## II. Annotations to the provisional agenda

**Item 1: Election of officers**

1. It is recommended that the Expert Meeting elect a Chairperson and a Vice-Chairperson-cum-Rapporteur.

**Item 2: Adoption of the agenda and organization of work**

2. The provisional agenda for the Expert Meeting is reproduced in section I above. The provisional schedule of meetings for the three days is attached to this document.

3. At the consultations of the President of the Trade and Development Board with the Bureau, coordinators and interested delegations (31 March 2000), member States decided to convene an Expert Meeting on the Impact of the Reform Process in Agriculture on Least Developed Countries (LDCs) and Net Food - Importing Developing Countries, and Ways to Address Their Concerns in Multilateral Trade Negotiations. That decision was made in accordance with the UNCTAD X Plan of Action (TD/386) paragraph 133: "UNCTAD should analyse the impact on all developing countries of the reform process, as foreseen in Article 20 of The WTO Agreement on Agriculture, with attention being paid to the concerns of LDCs and net food - importing developing countries".

4. In line with the mandate, the Meeting will have two substantive segments.

**Item 3: The impact of the reform process in agriculture on LDCs and net food - importing developing countries - Assessment of country-specific concerns**

5. The discussions under the first substantive item will be devoted to a diagnosis of the impacts of the reform process in agriculture on LDCs and net food - importing developing countries (NFIDCs) and an assessment of their concerns, taking into account the diverse circumstances faced by those developing countries. Presentations by country experts on this item are expected to provide country-specific experiences and views in relation to the reform process in the agricultural sector. A proposed guideline for inputs by experts is attached to his document.

**Item 4: Ways to address their concerns in multilateral trade negotiations**

6. Against the background of the deliberations under item 3, experts will focus on actions that could be taken to address the problems of the LDCs and NFIDCs in the context of the continuation of the reform process pursuant to Article 20 of the WTO Agreement on Agriculture. It is also hoped that the deliberations under this item will lead to an identification of the types of support from relevant international organizations that developing countries, in particular LDCs and NFIDCs, will require in their efforts to effectively participate and negotiate in the ongoing WTO negotiations on agriculture.

### Documentation

| | |
|---|---|
| TD/B/COM.1/EM.11/2 | Impacts of the reform process in agriculture on LDCs and net food-importing developing countries, and ways to address their concerns in multilateral trade negotiations |

**Item 5: Adoption of the outcome of the Meeting**

7. The Expert Meeting will adopt recommendations which will be assessed by member States before being submitted to the Commission on Trade in Goods and Services, and Commodities in February 2001. The final report will be compiled under the authority of the Chairperson after the conclusion of the Meeting.

## SCHEDULE OF THE MEETING

| Day 1 (24 July 2000) | Day 2 (25 July 2000) | Day 3 (26 July 2000) |
|---|---|---|
| *(10 a.m.- 1 p.m.)*<br><br>**Plenary**<br>Opening statement<br><br>Item 1:<br>Election of officers<br><br>Item 2:<br>Adoption of the agenda<br><br>**Informals**<br><br>Item 3: The impact of the reform process in agriculture on LDCs and net food - importing developing countries: Assessment of country-specific concerns | *(10 a.m.- 1 p.m.)*<br><br>**Informals (continued)**<br><br>Item 3:<br>(continued)<br><br>Item 4:<br>Ways to address their concerns in the multilateral trade negotiations | *(10 a.m.- 1 p.m.)*<br><br>**Informals (continued)**<br><br>Item 4:<br>(continued) |
| *(3 p.m.- 6 p.m. )*<br><br>**Informals (continued)**<br><br>Item 3:<br>(continued) | *(3 p.m.- 6 p.m. )*<br><br>**Informals (continued)**<br><br>Item 4:<br>(continued) | *(3 p.m.- 6 p.m. )*<br><br>**Plenary** (closing)<br><br>Adoption of outcome |

***Inputs from experts***

Experts nominated by member States are requested to submit brief papers to the UNCTAD secretariat in advance of the meeting. Papers will be made available to other participants at the Meeting in the form and language in which they are received. An expert paper may discuss how the reform programme and the international trading environment in the agricultural sector have interacted with efforts to meet his/her country's agricultural policy objectives, showing concrete examples. Inputs from experts from all UNCTAD member States (LDCs, NFIDCs, other developing countries, countries in transition, and developed countries) will be pertinent to enhancing the deliberations at the Meeting.

Experts may wish to formulate their inputs according to the questionnaire attached below, although it is not compulsory to follow it. Experts are encouraged to provide concrete example of experiences of the country.

**Impacts on the domestic market**

1. Effects of country's own market access liberalization (please provide product-specific examples):
   a) How did tariff reductions affect import flows?
   b) How did reductions in non-tariff barriers affect import flows?
   c) How did the role of foreign companies (through local subsidiaries or agents) in your country's domestic trade and distribution change as a result of market liberalization?
   d) Was there any effect upon preferential market access arrangement(s) provided by your country to developing countries?
2. Effects of other countries' market access liberalization (please provide product-specific examples):
   a) Does domestic production compete with subsidized exports from other countries? What are the price differentials between domestic products and subsidized exports?
   b) Has there been any impact of reductions in export subsidies by developed countries on the domestic market in the last five years?
3. How much does local consumption depend on food imports of: (i) cereals; (ii) edible oils; (iii) meat; (iv) dairy products; (v) processed food products? Has the dependency changed in the last 10 years?
4. Effects of the world price fluctuations between 1995-2000 (please provide product-specific examples):
   a) How have price fluctuations in recent years (high in 1995/96, low in 1997/98, etc.) affected your agricultural imports in values and quantities?
   b) Have there been any short-term financing difficulties? If so, what type of support have you received as a relief measure to meet the difficulties?
   c) How have the price fluctuations in recent years affected the level of domestic consumption?

**Impacts on the export market**

1. Effects of other countries' market access liberalization (please provide product-specific examples):
   a) Have new export opportunities arisen from tariff reductions and minimum market access opportunities (TRQs) by other countries?
   b) Have new export opportunities arisen from reductions in non-tariff barriers in importing countries?
   c) Are there major tariff/non-tariff barriers facing your exports?
   d) Has there been any effect upon the preferential market access arrangement(s) received from importing countries?
2. How have reductions/non-reductions in subsidized exports of other countries affected your export markets?
3. How have the price fluctuations in recent years affected your agricultural export earnings and export quantities? Are such price shocks fully reflected in producer prices, and have there been any serious negative effects?
4. How have the recent developments in the international market structure (e.g. the growing importance of major transnational corporations) affected agricultural exports?

(*Continued on the next page*)

5. Administration of export subsidies/export credits:
   a) Do export prices under subsidies vary according to the destination?
   b) What are the major destinations of subsidized exports/export credits?
   c) Are there any regulations regarding the selection of export subsidies/credit recipients?
   d) Are there any mechanisms to assess needs for lower-priced imports in destination markets?
   e) Are subsidies/credits linked to development aid programmes?

**Domestic agricultural production and trade**

1. Are there significant differences between domestic costs of production and import prices for foodstuffs?
2. What have been the main policy measures in supporting domestic producers/domestic consumers/exporters? What factors influence the Government's ability to provide such support (e.g. budgetary problems, the WTO commitments on domestic support, etc.)?
3. How have the price fluctuations in recent years affected your agricultural production/consumption?
4. Are there specific areas where the domestic production and trade of your country would require technical assistance?

Experts are requested to kindly submit the papers by 10 July 2000 to:

**Ms. Miho Shirotori**
**Division on International Trade in Goods and Services, and Commodities**
**UNCTAD**
**Palais des Nations, CH-1211 Geneva 10, Switzerland**
**tel: +41 22 907 55 56**
**fax: +41 22 907 00 44**
**E-mail:** miho.shirotori@unctad.org

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on LDCs and Net Food-Importing Developing Countries and
Ways to Address their Concerns in Multilateral Trade Negotiations
Geneva, 24-26 July 2000
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# IMPACT OF THE REFORM PROCESS IN AGRICULTURE ON LDCs AND NET FOOD-IMPORTING DEVELOPING COUNTRIES AND WAYS TO ADDRESS THEIR CONCERNS IN MULTILATERAL TRADE NEGOTIATIONS

**Background note by the UNCTAD secretariat**

**Executive summary**

During the Uruguay Round negotiations on agriculture, there was concern that the implementation of the Agreement on Agriculture (AoA), and particularly the implementation of the commitments on the reductions of export subsidies, could have negative (short-term) impacts on least developed countries (LDCs) and net food-importing developing countries (NFIDCs), mainly through increases in food import bills resulting from expected agricultural price rises. With a view to minimizing this concern, the member States of the World Trade Organization (WTO) agreed "the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on least developed countries and net food-importing developing countries" as a part of the Uruguay Round Agreements.

This background note suggests that the implementation of the Decision has not been satisfactory, largely for three reasons. First, the Decision has no operational mechanism for carrying out the support measures specified in it. Second, there has been no attempt within the WTO framework to systematically estimate the impact of the implementation of the AoA on LDCs and NFIDCs, although some of the support measures described in the Decision appear to be dependent on such estimations. Third, there were very few substantive discussions on the country-specific impact of the AoA (e.g. an increase in food import bills as a result of elimination of price discounts received from exporting countries before 1995) during the WTO's monitoring of the Decision, although the impact of certain aspect of the AoA could be recognized only at the country-specific level, even when they appeared insignificant at the global level.

This background note studies the impact of the AoA on LDCs and NFIDCs at an aggregated level, and suggests issues that may be discussed at the Expert Meeting with regard to possible ways of addressing concerns of LDCs and NFIDCs arising from their country-specific experiences of the reform process in agriculture.

GE.00- 51330

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## BACKGROUND

1. In this background note, the term "least developed countries" (LDCs) refers to the 48 countries so designated by the United Nations.[1] The term "net food-importing developing country" (NFIDC) was included in the Final Act adopted at the conclusion of the Uruguay Round in Marrakesh. It refers to a country that is a net importer of basic foodstuffs in any three of the most recent five years.[2] When the complete elimination of, or reductions in, agricultural support policies was negotiated at the Uruguay Round, it was considered important to give special consideration to NFIDCs together with LDCs, since these policy changes were expected to raise the world prices for basic foodstuffs, and this in turn would imply an increase in the costs of meeting normal levels of imports of basic foodstuffs. As of March 2000, 19 developing countries had notified the WTO for listing as NFIDCs (see table 1 for a listing of LDCs and NFIDCs in the WTO framework).

2. NFIDCs are countries that face a serious food-import burden, the reason for which are various in view of their diverse agricultural situations. These reasons, which are not mutually exclusive, include economic problems, e.g. a rapid rise in urban food demand which exceeds production growth; the heavy dependence of agricultural production on weather conditions; and agricultural policies that place greater emphasis on the production of exportable goods than on the production of basic foodstuffs. For instance, for a group of NFIDCs that are small island developing states (Barbados, Cuba, Dominican Republic, Jamaica, Mauritius, Saint Lucia, and Trinidad and Tobago),[3] the food-import burden may be due to a lack of natural endowment for the adequate production of temperate products. The specific characteristics of those countries, such as their small size, remoteness, geographical dispersion, vulnerability to natural disasters and limited internal market, may further explain their continuing dependence on imports of basic foodstuffs (FAO, 1999b). The agricultural production of some of those countries concentrates on exported cash crops, while the production of basic foodstuffs takes place as subsistence farming. Furthermore, the recent rapid growth in the tourism sector in those countries, which is becoming an important source of foreign exchange earnings, will only increase the need for food imports, especially imports of value-added processed products.

3. Throughout the Uruguay Round negotiations, it was expected that the proposed reforms of the agricultural trading system (i.e. reductions in export subsidies and trade-distorting domestic support measures) would result in higher world market prices for basic foodstuffs, particularly those benefiting from the highest degree of production and export subsidization (wheat, dairy products, and meat). A rise in the world prices of basic foodstuffs implies higher costs for food imports, which would increase the (short-term) financial burden of LDCs and NFIDCs.

4. The quantitative assessments made by the GATT secretariat (and other institutions) after the release of the Draft Final Act in 1991 confirmed these concerns. It was forecast that the AoA would result in a positive income gain for the world as a whole,[4] but that there would be negligible gains, if not an actual loss, for a group of developing countries, particularly the low-income countries dependent on imports of basic foodstuffs. Therefore, Article 16 of the AoA requires developed countries to "... take such action as provided for within the framework of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries".

**Table 1.** LDCs and NFIDCs in the WTO framework

| | |
|---|---|
| **Least developed countries (48)** | WTO members (28):<br>Angola, Bangladesh, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Djibouti, Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Niger, Rwanda, Sierra Leone, Solomon Islands, United Republic of Tanzania, Togo, Uganda, Zambia |
| | Non-WTO members (20):<br>Afghanistan, Bhutan, Cambodia, Cape Verde, Comoros, Democratic Republic of the Congo, Equatorial Guinea, Eritrea, Ethiopia, Kiribati, Lao People's Democratic Republic, Liberia, Nepal, Samoa, Sao Tome and Principe, Somalia, Sudan, Tuvalu, Vanuatu, Yemen |
| **Net food-importing developing countries (19)** | Barbados, Botswana, Côte d'Ivoire, Cuba, Dominican Republic, Egypt, Honduras, Jamaica, Kenya, Mauritius, Morocco, Pakistan, Peru, Saint Lucia, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia, Venezuela |
| **WTO observer countries and territories**<br><br>(* LDCs) | Albania, Algeria, Andorra, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bhutan,* Cambodia,* Cape Verde,* China, Croatia, Ethiopia,* Georgia, Holy See (Vatican), Kazakhstan, Lao People's Democratic Republic,* Lebanon, Lithuania, Nepal,* Oman, Republic of Moldova, Russian Federation, Samoa,* Saudi Arabia, Seychelles, Sudan,* Taiwan Province of China, The Former Yugoslav Republic of Macedonia, Tonga, Ukraine, Uzbekistan, Vanuatu,* Viet Nam, Yemen* |

*Note*: All observer countries and territories have applied to join the WTO except the Holy See (Vatican) and, for the time being, Bhutan, Cape Verde, Ethiopia, and Yemen.

*Source*: WTO, *About WTO* (http://www.wto.org/wto/about/devgroups.htm).

5. Of all the planned policy reforms, particularly worrying to LDCs and NFIDCs were the reductions in export subsidies to be made by the European Union (EU) and the United States. The Final Act provided that export subsidies were to be reduced by 21 per cent in quantity from the base period (1986/1990). This implied over a period of six years from 1995 the following reductions in subsidized foodstuffs: 16.8 million tonnes of wheat and wheat flour; 4 million tonnes of coarse grains; and 0.26 million tonnes of rice. It was roughly equal to a reduction of 3.5 million tonnes per annum subsidized cereals, which was not an insignificant amount given the fact that LDCs' total cereals imports in 1995/96 were 12 million tonnes, and those of NFIDCs 26 million tonnes.[5]

6. Export subsidies have existed in the international agriculture market since the 1890s.[6] Over the years, food-deficit developing countries have depended on cheap subsidized exports, which were often linked to concessions granted under food aid programmes. Before the end of the Uruguay Round, the subsidy war between the European Union and the United States over cereals substantially reduced the world prices of wheat and maize almost to a dumping level, i.e. less than the cost of production anywhere (Stevens et al., 1999). Thus, the impact of reductions in export subsidies was expected to be twofold: exerting upward pressure on the world agricultural commercial prices of basic foodstuffs *and* reducing the price concessions received by LDCs and NFIDCs for decades.

7. It is wrong, however, to assume that LDCs and NFIDCs were against establishing a discipline on the use of export subsidies. Artificially cheap food imports hurt domestic producers in those countries in the long run by providing disincentives to increase production. As one article stated:

> "[export subsidies] often hurt very poor people; peasant dairy farmers in Ecuador and Peru were nearly wiped out by subsidized sales of European dairy products in the 1980s. And U.S. subsidized exports of cotton and tobacco in the 1950s in the guise of Food for Peace wreaked economic havoc with cotton producers in the Egyptian delta and with tobacco producers in Cuba, Brazil, Bulgaria and other countries." (Lotterman, 1996)

What concerned LDCs and NFIDCs during the Uruguay Round negotiations was not guarding the existence of cheap subsidized exports, but ensuring that export subsidies reductions were accompanied by measures that would help them overcome the expected short-term adjustment costs.

## Chapter I

## IMPACT OF THE URUGUAY ROUND AGREEMENT ON AGRICULTURE ON LDCs AND NFIDCs

8. As the implementation of the AoA went into its sixth year, the second round of the WTO negotiations on agriculture was launched at the first Special Session of the WTO Committee on Agriculture in March 2000, with a view to the continuation of the agricultural reform process pursuant to Article 20 of the AoA. As regards the first phase of the negotiations (March–December 2000) during which their framework and agenda will be discussed drawing on proposals submitted by the WTO Members, there is a need for a comprehensive assessment of how implementation of the AoA has affected individual LDCs and NFIDCs so that their interests and concerns are taken into account in the ongoing negotiations.

9. An assessment of the impact of AoA implementation can be made only at the country level. The type of impact on a country's agricultural production and trade depends on such country-specific factors as the production pattern and the import/export product mix, since the degree of AoA-induced policy reforms by WTO Members tends to vary according to different product categories. The impact may be felt at a macroeconomic level (e.g. GDP growth, employment level, balance of payments) or even at a social level (e.g. poverty alleviation, rural development, food security). It is expected that the country-specific impact of the AoA will be examined at the Expert Meeting, on the basis of concrete examples and experiences cited by national experts.

10. This background note examines the impact on LDCs and NFIDCs at an aggregated level, albeit the risk of generalization. The implementation of the AoA may have impacted on LDCs and NFIDCs owing to changes at three different levels: first, the implementation of a country's own commitments; second, the implementation of commitments (especially market liberalization) by other WTO Members; and third, the resulting global changes in world agricultural demand, supply and prices.

### A. Impact of the implementation of AoA commitments by LDCs and NFIDCs

11. With respect to the first level, the implementation of the AoA in general made very little impact on the agricultural sector in LDCs and NFIDCs. This is because their agricultural liberalization in recent years resulted from not their AoA commitments, but from the unilateral deregulation and liberalization that a large number of them carried out long before, or in parallel to, the Uruguay Round.

12. In a large number of LDCs in sub-Saharan Africa, agricultural reforms started in the mid-1980s, often as a part of structural adjustment programmes. In these reforms, great attention was paid to deregulating markets to allow a greater role for the private sector in both product and input markets. These reforms also resulted in reductions in public agricultural services such as input provisions, product distribution, agricultural credit and research and extension services (UNCTAD, 1998a). In addition, government controls on agricultural trade policies were reduced. Export taxes were reduced or abolished, and state trading enterprises were often disbanded. Import policy changes included setting the maximum ceiling for tariffs, and abolition or reduction of non-tariff barriers such as non-automatic import licensing, import prohibition and quotas.

13. Almost all NFIDCs have also carried out a substantial degree of unilateral liberalization. Egypt, for instance, implemented significant economic policy reforms from 1986 onwards, covering in the first phase (1987-1989), price reforms, relaxation of marketing controls, removal of delivery quotas for 10 major and minor crops, and reduced subsidies for inputs and in the second phase (1990-1994) measures to consolidate the earlier reforms, including elimination of subsidies on all inputs, reduction of the role of the parastatals on input distribution, and reduction of credit subsidies. The FAO country case studies (FAO, 2000) on the experience of the AoA provide a comprehensive assessment of the impact of unilateral liberalization in light of the implementation of the AoA, the countries covered being Bangladesh, Egypt, Guyana, India, Morocco, Pakistan, Peru, Sri Lanka, and Thailand.

14. The degree of unilateral liberalization went beyond the commitments under the AoA, and thus the implementation of the AoA itself generated few policy changes in LDCs and NFIDCs. The applied tariff rates of LDCs and NFIDCs in the period 1995 -1999 were mostly substantially below their WTO bound rates. The applied rates were even further reduced in some countries (e.g. Egypt, Pakistan and Sri Lanka) as part of their continuing unilateral liberalization programmes. Almost all NFIDCs claimed zero Aggregate Measurement of Support (AMS) and zero export subsidies in the base period (except Morocco, Tunisia and Venezuela as regards domestic support, and Venezuela as regards export subsidies). And, in any case, LDCs were exempted under Article 15 from undertaking AoA reduction commitments.

### B. Impact of other countries' implementation of AoA commitments

15. The degree of impact of other countries' implementation of the AoA commitments on agricultural exports from LDCs and NFIDCs depends on the degree of liberalization achieved by major importing countries resulting from the AoA. It also depends on whether exports into their respective markets on most-favoured-nation (MFN) terms or under preferential arrangements (reciprocal or non-reciprocal).

16. First, did the AoA lead to a sizeable market liberalization by other WTO Members, particularly of developed countries? The post-Uruguay Round agricultural tariff barriers remain substantially higher than those in other sectors. The average Uruguay Round bound agricultural tariffs of developed countries are estimated at 27.1 per cent, compared with 3.5 per cent for industrial products and 3.7 per cent for all merchandised products (Finger, Ingco and Reincke, 1996). The gap between the applied tariff rates and the bound rates in developed country markets is narrower than that in developing countries, including LDCs and NFIDCs. Moreover, the agricultural tariff reduction approach employed during the Uruguay Round led to uneven tariff cuts across different products, allowing countries to maintain prohibitively high tariffs on "sensitive" products.[7] Problems relating to tariff peaks and tariff escalation vis-à-vis agricultural exports of developing countries have also been identified. A joint UNCTAD/WTO study shows that tariffs on major export products of developing countries such as sugar, tobacco and cotton,

and those of potential export interest such as processed food, are frequently levied at some of the highest peak rates (e.g. exceeding 100 per cent) (UNCTAD, 1999a). Also, it finds that tariff escalation persists in the post-Uruguay Round tariff environment, particularly in a number of product chains that are of importance to developing countries including; coffee, cocoa, oilseeds, vegetables, and fruits and nuts.

17. With regard to domestic support policy reform, there is a large gap in AMS values between developed countries and developing countries: in 1996, the aggregate current total AMS of 10 developed countries accounted for 95 per cent of the total value of US$ 103.7 billion notified by 24 countries, with the European Union accounting for 56 per cent and Japan 28 per cent. With regard to export subsidies, the value of the legitimate (i.e. within the reduction commitment) export subsidies at the end of the implementation period would remain at around US$ 13.8 billion, which equals 2.4 per cent of world total agricultural exports (US$ 579.9 billion) in 1997, or 63.6 per cent of the total agricultural exports of Africa in the same year.

18. Second, assuming that there was a degree of market liberalization in major import markets, how did exporters in LDCs and NFIDCs benefit from it? Many LDCs and NFIDCs have a significant share of agricultural exports, particularly of so-called cash crops, such as sugar, cotton, tropical fruits (bananas, pineapples, melons, etc.), coconuts and palm oil, tobacco, coffee, cocoa and tea. All LDCs and NFIDCs are, in one way or another, recipients of preferential market access provided by major developed country importers, such as the Generalized System of Preferences (GSP) schemes, the commodity protocol or other tariff preferences under the Lomé Convention between the EU and the African, Caribbean and Pacific (ACP) group of countries, the United States Caribbean Basin Initiative.[8]

19. According to an ongoing UNCTAD study on market access to LDCs' exports, an average of 63 per cent of their total agricultural exports to developed countries in the period 1995-1997 went to the EU, and on average 65 per cent (96 per cent in terms of a weighted average) of those LDC exports in 1996 are estimated to have entered under the preferential rates of the Lomé Convention or the EU's GSP rates for LDCs.[9]

20. Ten out of the 19 NFIDCs (Barbados, Botswana, Côte d'Ivoire, Dominican Republic, Jamaica, Kenya, Mauritius, Saint Lucia, Senegal, and Trinidad and Tobago) are also signatories to the Lomé Convention.[10] Among those countries, the agricultural export earnings of small island developing countries (e.g. Barbados, Dominican Republic, Jamaica, Mauritius and Saint Lucia) are largely dependent on the Lomé preferences associated with two products - sugar and bananas. Sugar exports from those countries to the United States market also receive preferential tariff margins under the United States Caribbean Basin Initiative. The Uruguay Round changed very little the import regime of sugar and bananas in the EU and the United States, the two largest import markets (FAO, 1999c). However, the recent challenge concerning the EU banana regimes before the WTO Dispute Settlement Panel led to the European Commission's proposals for changes to the common market organization for bananas; this suggests a gradual shift to a tariff-only regime as of 1 January 2006 at the latest.

21. Agricultural exports to the EU from three Mediterranean NFIDCs (Egypt, Morocco and Tunisia) have also benefited from the EU trade preferences under the EU-Mediterranean Cooperation Agreements (1977, revised in 1988). In 1993, more than 40 per cent of Egypt's agricultural exports (mainly vegetables and cotton) to the EU were under preferential access. Preferential coverage for exports to the EU from the other two countries was much higher: 73.5 per cent for Morocco (fresh fruits and vegetables) and 93.7 per cent (fats and oil) for Tunisia (Tangermann, 1997).

22. Most of the agricultural exports from Sri Lanka and Pakistan to the Quad countries (Canada, the EU, Japan and the United States) enter under MFN tariffs, whose rates are generally low (around 0 to 5 per cent).[11]

23. For a country with a large share of exports under preferential market access, developed countries' multilateral MFN tariff liberalization would diminish its relative price advantage vis-à-vis MFN suppliers. One FAO study estimated that the AoA could generate a potential loss of preferences worth US$ 632 million in 1992 dollars for all developing countries, with the largest loss in fruits and vegetables, nuts, tropical beverages and spices (Yamazaki, 1996).

24. It should not be concluded, however, that the MFN liberalization under the Uruguay Round worsened the market access conditions for preference-receiving LDCs and NFIDCs in absolute terms. A meaningful analysis of its impact can be made only at the country level on a product-by-product basis. Such an analysis would require information not only on the erosion of preferential margins but also on the competitiveness of the product in question vis-à-vis the products from MFN suppliers (this concerns, *inter alia*, the cross-product elasticity, the price advantage and the quality advantage) and on export opportunities arising from MFN liberalization in non-traditional markets.

### C. Impact of changes in world agricultural prices arising from the Uruguay Round

25. The third level of impact, i.e. the impact on agricultural prices, was considered to be the source of "the possible negative effects" of the reform process, which led to the adoption of the Marrakesh Decision. What was the extent of the expected "negative" effects of the AoA? The problem is that an estimation of the precise impact of the AoA, which is subject to a mixture of exogenous variables, would not be technically feasible after only a few years of implementation.[12] Notwithstanding this difficulty, the available statistical data indicate that LDCs and NFIDCs did experience increases in food import bills and reductions in food aid availability in the period between 1995 and 1999.[13]

- Agricultural prices as a whole were higher in the period between 1995 and 1997 than the projected level (based on the data for 1985-1994), and then sharply declined following the demand shock triggered by the Asian financial crisis. According to FAO's assessment that the high prices in the first two years, especially of cereals, were partly due to lower stocks, which resulted from policy changes (i.e. reduced government intervention) before 1995 in anticipation of the implementation of the AoA. With regard to cereals and meat, the price rises in this period could be partly explained by the extremely low level of export subsidies actually provided. For instance, only 6 per cent in 1995 and 0 per cent of the total committed level of export subsidies on wheat were actually utilized in 1995 and 1996 respectively. The opening of tariff rate quotas (market access opportunities) may also be regarded as one of the factors which temporarily increased the world demand for cereals, and pushed up the prices of those products. Although the massive price falls in the period that followed suggest that policy changes would have had only secondary effects on agricultural prices, the use of export subsidies during this period (1998-1999) was considerably greater than in the previous period, in some cases at above the annual bound level, which could have amplified the downward pressures on prices.[14]

- Cereal import bills[15] of LDCs and NFIDCs (see table 2) increased from just over US$ 5 billion in 1993/94 to over US$ 8 billion in 1995/96 and around US$ 7.7 billion in 1996/97, and then decreased slightly to US$ 6.6 billion in 1998/99 (FAO, 1999g). Despite a massive fall in agricultural prices between 1997 and 1998, food import bills did not fall to

the same extent, owing partly to an increase in import volume, partly to a fall in the available level of food aid, and partly to a decrease in price concessions and discounts LDCs and NFIDCs used to receive from developed countries.

- With regard to the availability of food aid, the level decreased to 4.3 million tonnes per annum in 1998/99, the lowest figure since the mid-1950s (see table 2). Global food aid deliveries have been falling steadily since 1993. Coinciding with high world agricultural prices, food aid availability fell by over 27 per cent between 1995 and 1996.

26. In addition to the changes in the cost of food imports and the availability of food aid, the actual burden of food imports depends on the ability of LDCs and NFIDCs to finance their food import bills. UNCTAD reported at the 1998 annual monitoring exercise in respect of the follow-up to the Marrakesh Decision in the WTO Committee on Agriculture that the financing ability of those countries was bleak, and did not show any sign of improving in the near future (UNCTAD, 1998b). This ability was measured by their export earnings and the net flow of foreign exchange available to them. First, almost one-third of LDCs experienced in 1996 an actual fall of export earnings from the 1990 value, and the rest had a very low growth in the same period. For NFIDCs, annual average export growth was positive (except in Mauritius), ranging between 0.9 per cent (Côte d'Ivoire) and 12.9 per cent (Sri Lanka). However, because of the deteriorating terms of trade for these countries' exports, the purchasing power of their export earnings has declined significantly since 1990.

**Table 2.** Cereal imports and food aid deliveries to LDCs and NFIDCs

| | 1993/94 | 1994/95 | 1995/96 | 1996/97 | 1997/98 | 1998/99 |
|---|---|---|---|---|---|---|
| **Values ($ million)** | | | | | | |
| LDCs | 1,185 | 2,029 | 2,778 | 2,103 | 3,008 | 2,442 |
| NFIDCs | 3,805 | 4,333 | 6,149 | 5,857 | 5,390 | 4,581 |
| **Volumes (million tonnes)** | | | | | | |
| LDCs | 11.2 | 13.3 | 12.3 | 10.8 | 14.2 | 14.7 |
| NFIDCs | 27.2 | 27.5 | 27.4 | 29.5 | 32.5 | 31.3 |
| **Food aid (million tonnes)** | | | | | | |
| LDCs | 3.9 | 4.3 | 3.3 | 2.8 | 2.9 | 4.0 |
| NFIDCs | 1.9 | 1.3 | 0.6 | 0.5 | 0.6 | 0.3 |

*Source: FAO , 199a. Konandreas and Sharma, 2000.*

27. Second, the net financial flows (including both official and private financial flows) to the majority of LDCs have registered significant declines in both real and nominal terms. Twenty African LDCs, as well as Haiti and 7 Asia/Pacific LDCs, experienced a nominal decline in total financial flows between 1994 and 1996. Nominal declines in net financial flows were also experienced by 7 NFIDCs (Côte d'Ivoire, Honduras, Mauritius, Morocco, Senegal, Sri Lanka, and Trinidad and Tobago). In addition, most LDCs as well as NFIDCs are heavily indebted. Since all the debt has to be paid in foreign currency, the debt burden further constrains their ability to finance the necessary food imports. In 1996, 23 LDCs (for which data were available) had a debt/GDP ratio of over 90 per cent, 17 of which having a ratio of above 100 per cent. The average debt service/export ratio for LDCs in the same period (for which data were available) was 15.3 per cent. The debt/GDP ratio for NFIDCs is less significant, but the debt service/export ratio is extremely high for a number of them: 6 out of 16 NFIDCs (for which data are available) have a debt service/export ratio of over 25 per cent and 5 have a ratio of between 15 and 20 per cent.

## D. Implementation of the Marrakesh Decision on LDCs and NFIDCs

28. If the food-import burdens of LDCs and NFIDCs have increased in recent years, how has the Marrakesh Decision functioned to reduce them? The Decision states that "Ministers ... agree to establish appropriate mechanisms to ensure that the implementation of the [Agreement on Agriculture] does not adversely affect the availability of food aid at a level which is sufficient to continue to provide assistance in meeting the food needs of developing countries, especially least-developed and net food-importing developing countries". The Decision recommends that WTO Members *inter alia*:

- Establish a sufficient level of food aid required during the agricultural reform programme;
- Give full consideration in their aid programmes to the need of LDCs and NFIDCs for technical assistance to improve their agricultural productivity and infrastructure;
- Ensure that any agreement relating to agricultural export credits makes appropriate provision for differential treatment in favour of LDCs and NFIDCs;
- Call for special consideration to be given by international financial institutions (e.g. the IMF and World Bank) to the possible short-term financial difficulties that LDCs and NFIDCs may face in financing normal levels of commercial imports as a result of the Uruguay Round.

29. The Decision was reiterated at the Singapore Ministerial Conference in December 1996. As a result, the 1995 Food Aid Convention, which expired in 1999 after a one-year extension, was replaced by the 1999 Food Aid Convention, which will remain in force until 30 June 2002.

30. With respect to the efficacy of the Marrakesh Decision, however, several LDCs and NFIDCs noted during its monitoring that it had not satisfactorily achieved its initial objective. This seemingly disappointing result may be due to the following three reasons. First, the Marrakesh Decision, unlike the commitments under the AoA, has no operational mechanism for carrying out the support measures specified in it. It only provides general policy recommendations for countries donating food aid and technical/financial assistance. Second, there has been no attempt, within the WTO framework, to systematically assess the impact of the implementation of the AoA on LDCs and NFIDCs, although the provision of support measures stipulated in the Decision appears to be dependent on such assessment. Third, and in relation to the reasons already mentioned, there have been very few substantive discussions on the country-specific impact of the AoA. The impact of a particular aspect of the AoA at the country level could be considerable, even when it appears insignificant at the global level.

### 1. Provision of sufficient food aid

31. As has been mentioned, global food aid deliveries have been falling steadily since 1993, although there is no sign that the demand for food aid has declined significantly. As reported in FAO's *Food, Nutrition and Agriculture*, "... world agricultural production, including both crops and livestock, is slowing down. Among the developing countries as a whole, 1997 agricultural production experienced the lowest increase since 1979, and barely kept up with population growth. The sharpest declines were in the Near East, North Africa region and sub-Saharan Africa".[16] Hence, statistically speaking, the Decision failed to meet the objective of "establishing a sufficient level of food aid required during the agricultural reform programme".

32. The weakness of the Decision as regards meeting that objective lies in its lack of a precise definition of that "a sufficient level of food aid". Neither the Decision nor the Food Aid Convention quantifies the level of "sufficient" food aid required by LDCs and NFIDCs. Moreover, the Decision implicitly links the required increase in food aid to the degree of impact of the agricultural reform programme (i.e. the implementation of the AoA), which is, as already mentioned, not easily quantifiable. Also, the Decision does not suggest how this impact could be best estimated, and there was little substantive discussion of this during the monitoring process.[17]

### 2. Provision of bilateral technical assistance and financial assistance by the international financial institutions

33. It is unclear to what extent the Decision has been effective in encouraging the provision of technical assistance in the agricultural sector to LDCs and NFIDCs. It is in the form of a policy recommendation to donor countries, not a commitment. The basic understanding of the WTO Committee on Agriculture, which monitors the implementation of the Decision, is that the provision of technical assistance is essentially a bilateral matter between donors and recipients, based on requests made by recipients (WTO, 2000).[18]

34. The same situation applies to support from the international financial institutions to meet short-term difficulties in financing normal levels of food imports on a commercial basis. The World Bank and the IMF confirmed to the WTO Committee on Agriculture that they would continue to support the financing needs of LDCs and NFIDCs within their existing financing frameworks and programmes. The World Bank reported to the Committee in 1997 that "Given the wide range of facilities [available for additional financing needs] and the small price impacts expected to arise as a consequence of the Round, and the difficulty involved in distinguishing Uruguay Round impacts from other shocks, it did not seem appropriate to establish a special Uruguay Round adjustment facility" (WTO, 1997).

### 3. Appropriate provision for differential treatment in favour of LDCs and NFIDCs in any agreement relating to agricultural export credits

35. This provision was included in the Marrakesh Decision pursuant to Article 10.2 of the AoA, which commits WTO members to work towards development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes. Since export credits function for the benefit of LDCs and NFIDCs that face short-term cash flow problems, and export credit guarantees would facilitate commercial exports to financially "risky" countries, it was considered necessary to make a special provision for LDCs and NFIDCs. As of May 2000, however, WTO members have not been engaged in any substantive negotiations on this matter. Instead, the issue has been passed to the OECD, where the inclusion of the agricultural sector in the Arrangement on Guidelines for Officially Supported Export Credits is being negotiated (export credits for agricultural products have been excluded from this 22-year-old Arrangement).[19] The OECD negotiations have made limited progress so far, owing to a major disagreement among members on whether export credits are considered to be trade-distorting as export subsidies are.

## E. Summary of this section

36. Assessment of the impacts of the reform process in agriculture seems to present a somewhat controversial picture: the agricultural sector in LDCs and NFIDCs is in general far more liberalized than their commitments under the AoA; and is relatively more liberalized than that of some of the developed country members of the WTO, despite the fact that the former

group depends more on the income and the employment from the agricultural sector than the latter group; the anticipated "possible" negative effects of the reform process on LDCs and NFIDCs manifested themselves in terms of the increase in their food import bills and the fall in food aid availability; and the safety net against such negative effects (i.e. the Marrakesh Decision) has not functioned in the way that was expected.

## Chapter II

## POSSIBLE ISSUES FOR DISCUSSION BY EXPERTS REGARDING WAYS OF ADDRESSING THE CONCERNS OF LDCs AND NFIDCs IN THE MULTILATERAL TRADE NEGOTIATIONS

37. Against the background of the issues discussed in the above sections, this section examines possible negotiating issues that may be raised during the first phase of the ongoing negotiations on agriculture. For LDCs and NFIDCs, a major concern may be the follow-up to the Marrakesh Decision beyond the implementation of the Uruguay Round commitments on agriculture. There may be other issues concerning negotiations on the contents of the AoA itself, in which the concerns of individual LDCs and NFIDCs may have to be reflected.

### A. Follow-up to the Marrakesh Decision

38. Given the view that the implementation of the Decision has so far been unsatisfactory, the first question that may have to be considered is whether the Decision should be maintained beyond the implementation of the Uruguay Round AoA commitments. Should it be, for instance, established as an article within the AoA such that commitments to provide food aid and technical/financial assistance to LDCs and NFIDCs are made concrete?

39. If the Decision maintains its current framework, how may its effectiveness be improved? Questions that may be asked with regard to increasing the efficacy of the Decision include the following:

- What would be a feasible modality to quantify the needs of LDCs and NFIDCs in terms of technical/financial assistance and food aid? What would be the modality to assess whether such needs arise from the continuation of the reform process?

- What type of operational mechanism for the implementation of the Decision is required, for instance for a LDC or a NFIDC to make specific requests to bilateral/multilateral donors for technical/financial assistance should the need arise?

- Could a revolving fund for such assistance be established under the Decision, using the budgetary resources of developed countries originally provided for export subsidies on the premise that there will be substantial reductions in, if not elimination of, export subsidies in the current negotiations?

### B. Negotiations on the continuing reform process in agriculture

40. The negotiations on the major areas of the AoA itself (i.e. export subsidies, domestic support and market access) concern LDCs and NFIDCs, as the likely impact of the continuation of the agricultural reform process on them would depend on its framework and the modality. Issues discussed below may be also applicable to developing countries other than LDCs and NFIDCs.

## 1. Export subsidies and export credits

41. The possible negotiating agenda of individual LDCs and NFIDCs would depend on the likely impact of the reductions/elimination of subsidized exports on the value and the volume of their food imports. Information required for an analysis of the country-specific impact would include:

- The type of products (e.g. wheat, wheat flour, rice, dried milk powder, vegetable oils, meat, etc.) and the quantities which entered the domestic market under the export subsidy programmes of other countries;

- The share of those imports under export subsidies in domestic consumption;

- The price differentials between those imports under export subsidies and the domestic market prices and/or the world prices;

- The continuity of the provision of subsidized exports (e.g. is it only available for the year concerned, or as a part of longer-term contracts?).

42. Obtaining such information on the importer side, however, is difficult, unless export subsidies take the form of official sales (e.g. as part of food aid programmes). Private sector importers do not necessarily know whether the import prices they receive were subsidized or not. In this connection, experts from major providers of export subsidies are encouraged to provide, if possible, information on whether any of their exports under export subsidy programmes have been earmarked for LDCs and NFIDCs. LDCs and NFIDCs may lack the analytical capacity to assess the importance of subsidized exports to their domestic consumption as well as the domestic production of the import-competing products. Analytical support may be sought from relevant international organizations or academic institutes.

43. The issue of export subsidies would be highly contentious as it was during the Uruguay Round. The focus of the current negotiations on export subsidies would be whether subsidies should be totally eliminated or whether they could be maintained, albeit after substantial reductions. In whichever case, LDCs and NFIDCs may pay particular attention to other WTO members' proposals on possible modalities for subsidies elimination/reduction. The resulting short-term adjustment costs (e.g. an increase in food import bills) to LDCs and NFIDCs, assuming that they imported a substantial amount of subsidized exports, would depend on the modality, which may include:

- A total elimination from the first year of implementation;

- A step decrease leading to a complete phase-out at the end of the implementation period;

- Substantial reductions using a reduction formula (as in the Uruguay Round commitments);

- A phased elimination or substantial reductions, with an approach similar to that of zero-for-zero, targeting first the products that are not the major import needs of LDCs and NFIDCs.

## 2. Domestic support commitments

44. One negotiating issue that concerns LDCs and NFIDCs is the possibility of increasing the "flexibility" in developing countries' application of the domestic support commitments. Greater flexibility has been called for by developing countries during the five years of AoA implementation, because the way in which the commitments were made resulted in a situation where developing countries that claimed zero AMS commitments faced the *de minimis* ceiling on the future use of AMS-type support, while countries that provided AMS-type domestic support in the base period were given a legal right to continue doing so.

45. The result is ironic, since it was developing countries that were made policy-constrained by the ceiling (i.e. the *de minimis* limit) not only against the current application of domestic support measures but also against the future needs for such measures that may arise given the dynamics of their agricultural sector in terms of its share of GDP, employment and export earnings. On the other hand, in developed countries, agricultural sector development (apart from the agro-food industry) has reached the level where there is little prospect of further growth in production and employment. The high level of support to domestic farmers in "protectionist" developed countries has reached the budgetary maximum, and it appears to be in the interest of those Governments to reschedule their spending planning on domestic support, however politically difficult it may be. In this respect, the proposed increase in flexibility may have originated from a systemic question as to whether countries with dissimilar agricultural circumstances and development level could meet the same rules and obligations with regard to the use of domestic support measures.

46. In the first phase of the agricultural negotiations, the term "flexibility" may have to be clearly defined for the issue to be taken as a possible negotiating agenda. Flexibility may imply the introduction of a new type of special and differential (S&D) treatment for developing countries, which may include the creation of the "Development Box", in addition to the Green Box. Flexibility may be gained from an improvement of the existing S&D treatment provision, e.g. modifying the *de minimis* limit available to developing countries.[20] Also, flexibility may be introduced into the calculation method for the current total AMS.

- **Development Box.** The Green Box criteria set out in Annex II of the AoA were drawn up on the basis of the agricultural policy measures used essentially in developed countries, and include measures that have less relevance to developing countries, such as production-limiting schemes (e.g. producer or resource retirement programmes). The objective of the Development Box may thus be to distinguish domestic support measures that are relevant to developing countries' efforts to enhance the agricultural production of products for domestic dietary supply, in addition to input and investment subsidies that are currently exempted from the current AMS calculation by developing countries. The application of such measures may be linked to economic indicators such as the food-import capacity, the agricultural production trend versus population growth, and the share of the domestic production of basic foodstuffs in the total domestic demand.[21]

- **Modifying the *de minimis* limit.** The values under the product-specific *de minimis* limit are not allowed to be aggregated, unlike the flexibility given to the AMS reduction commitments. As a possible method of increasing flexibility in this area, Konandreas (1998) suggested that the *de minimis* limit for developing countries could be increased to 15-20 per cent, or that a higher level of the *de minimis* limit could be accorded to the production of basic foodstuffs compared with non-food crops. Here again, a concrete cost-benefit analysis of such an increase would be necessary, from the perspective of LDCs and NFIDCs, as well as of possible implications for world trade, if any.

- **Modification of the AMS calculation method.** Several developing countries have faced problems with the treatment of the "negative" AMS and "excessive" inflation in the current total AMS.[22] So far, the negative AMS has been treated as zero input to the current total AMS. However, if the AMS is to be considered a composition of subsidies and taxes to domestic production, a negative AMS is an implicit tax on farmers and should be deducted from the current total AMS.

### 3. Market access

47. The current AoA includes a provision on market access for developing countries, as stated in its preamble: "[Members agree to provide] a greater improvement of opportunities and terms of access for agricultural products of particular interest to these [developing country] Members provided by developed country Members in implementing their commitments on market access". However, this provision was not clearly reflected in the market access commitments of developed countries.

48. In this respect, together with other relevant issues concerning the market access commitments, experts may discuss possible definition of market access "improvement" by examining the types of barriers to the current market access conditions (e.g. tariff peaks, tariff escalation, non-tariff barriers such as sanitary and phytosanitary measures and technical-barriers-to trade measures) for selected commodities of export interest to developing countries, particularly LDCs and NFIDCs. Experts may examine how market access improvement can be implemented, looking at the potential effectiveness of possible measures such as the following:

- Binding of the current autonomous tariff preferences granted to developing countries (e.g. GSP schemes);

- Expansion of the tariff rate quota quantities by, for example, earmarking certain quantities for developing country exporters, and/or reductions of within-quota tariff rates vis-à-vis exports of developing countries.

## Chapter III

## CONCLUSION - IDENTIFYING THE PRAGMATIC APPROACHES TO ADDRESSING THE CONCERNS OF LDCs AND NFIDCs IN THE MULTILATERAL TRADE NEGOTIATIONS

49. LDCs and NFIDCs need to ensure that the current negotiations identify pragmatic approaches which would balance the long-term objective of establishing a fair and market-oriented agricultural trading system on the one hand, and the short-term adjustment costs that maybe incurred by LDCs and NFIDCs on the other hand. In this respect, it is hoped that the UNCTAD Expert Meeting will provide an opportunity for experts from all countries to, first, examine country-specific experiences and cases illustrative of the concerns felt by LDCs and NFIDCs during the reform process in agriculture; second, analyze those concerns from a more global perspective, e.g. taking into consideration the perspectives of other countries (i.e. developed countries, other developing countries and countries with economies in transition); third, discuss elements that may be included in the agenda of the ongoing agricultural negotiations from the perspective of developing countries in general, and of LDCs and NFIDCs in particular; and, fourth, identify these areas in which support from relevant international organizations and institutions may be sought.

## Notes

[1] The criteria used to determine the countries in greatest need were per capita gross domestic product (GDP), share of manufacturing in total GDP, and the adult literacy rate. These were later revised and refined to include the augmented quality of life index, the economic diversification index and population size (See UNCTAD, *About LDCs*, http://www.unctad.org/en/subsites/ldcs/aboutldc.htm).

[2] A study by the World Bank shows that 105 out of 148 developing countries (including countries not members of the WTO) are net food-importers on the basis of the three-year average food trade balance of 1995/97 (Valdes and McCalla, 1999). In addition, of 31 countries that have applied to join the WTO, 6 are LDCs (Cambodia, Lao People's Democratic Republic, Nepal, Samoa, Sudan and Vanuatu) and about half of the remaining 25 are statistically net food-importers.

[3] There is no internationally accepted definition of a small island developing State. For the present document the list used is the one prepared by FAO (http://www.fao.org/SIDS/def-e.htm), which includes countries that are the members of the Alliance of Small Island States (AOSIS) and FAO, plus three other small island States that are FAO members.

[4] A substantial and positive income gain for the world was expected to result from the gains for Western European and Japanese consumers arising from reductions in domestic agricultural prices. One World Bank estimate indicated that the world as a whole could gain US$ 48 billion (using 1992 prices) from reductions in tariffs and export subsidies. The gains for the OECD countries would account for 67.5 per cent of total gains.

[5] The figures for export subsidies were excerpted from UNCTAD (1995).

[6] The first such subsidies may have been Russia's subsidies for sugar exports against which the United States invoked the first countervailing measures in the history of world trade.

[7] Countries had flexibility in selecting the degree of tariff reduction for each product as long as it achieved "on average" a 36 per cent reduction. They thus chose to reduce the tariff rates for sensitive products by a minimum level (i.e. by around 15 per cent), and compensated for it by making a larger tariff cut for products whose base-period tariff rates had been low.

[8] It is also important to note that developing countries' import markets (and, in some cases, transition economies) are becoming increasingly important as outlets for agricultural exports from developing countries. In 1998, the share of developing countries' exports to destinations other than North America, Western Europe, Japan, Australia and New Zealand was 43 per cent, up from 39.5 per cent in 1990.

[9] This figure is based on 1996 trade statistics and the 1998 EU applied tariff rates.

[10] In February 2000, it was agreed between the EU and the ACP countries that the traditional non-reciprocal preferential access to the ACP countries would continue for eight years from March 2000.

[11] Using the figures based on 1996 trade statistics and the 1998 applied tariff rates, Sri Lanka's agricultural exports covered under GSP schemes of the Quad countries were as follows: 29 per cent (Canada), 10 per cent (EU), 74 per cent (Japan) and 8 per cent (the United States). The figures for Pakistan were the following: 4 per cent (Canada), 4 per cent (EU), 2 per cent (Japan) and 9 per cent (the United States).

[12] The difficulties involved in assessment are well documented in recent FAO documents. The basic difficulty lies in identifying a basis for comparison, i.e. what the situation would have been if there had been no implementation of the Uruguay Round AoA. Also the data period of five years since the beginning of implementation (1995) would be too short for any quantitative analysis, even if all the data are available up to date (FAO, 1999a).

[13] Various FAO studies over the last six years have been extensively used as references for this section.

[14] Under the so-called flexibility clause (Article 9.2(b) of the AoA), countries may "deposit" an unused amount of the annual bound export subsidies in a year for use in the following year(s) in addition to the annual bound level during the second to the fifth year of implementation.

[15] Cereals account for 52 per cent of the total dietary supplies in LDCs and 45 per cent in 19 NFIDCs (Konandreas and Sharma, 2000).

[16] Lupien and Menza, 1999.

[17] Although it is outside the scope of the Decision, it is important to note that not only the quantity but also the quality of food aid matters. The concept of food aid quality could cover the product quality of donated food and the timeliness of food aid to recipient countries. While the 1999 Food Aid Convention stipulates that "All products provided as food aid shall meet international quality standards, be consistent with the dietary needs of recipients and ... shall be suitable for human consumption" (Article III, paragraph j), the product quality of food aid (e.g. freshness, food safety standard, etc.) has not always matched the standards that would be required in the donor countries. As regards the timeliness of deliveries, it was stated during the annual monitoring of the Decision in the WTO Committee on Agriculture that food aid deliveries were often negatively correlated with the world cereals price, i.e. when the world price is high, and thus when the need for food aid is also high, more cereals from donor countries go to the commercial market than to their food aid programmes.

[18] Support to agricultural development has always been one of the priority areas of the aid donors' bilateral assistance programmes, and is likely to continue to be so. The Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development reports that over 70 per cent of total development aid in

the production support category provided by the 21 DAC members in 1998 was targeted at the agricultural sector (which accounted for 7.3 per cent of the total aid flow).

[19] The Arrangement applies to all official support for exports of goods and/or services, or to financial leases, which have repayment terms of two years or more. This is regardless of whether the official support for export credits is provided by means of direct credit/financing, refinancing, interest rate support, guarantee or insurance. The Arrangement also applies to official support in the form of tied aid (OECD, http://www.oecd.org/ech/act/xcred/arrngmnt.htm#chapitre4).

[20] The de *minimis* limit for developing countries is set at 10 per cent (5 per cent for developed countries) of the value of the annual production of the product concerned for product-specific domestic support, and 10 per cent of the annual total agricultural production for non-product-specific domestic support.

[21] Valdes and McCalla (1999) set the proxy to the food import capacity to (value of food imports)/(value of total exports). Variables such as net capital inflow, exchange rate depreciation and changing terms of trade of developing countries' exports may also be incorporated.

[22] A product-specific AMS for market support measures could be negative, when the publicly-set consumer price of the product concerned in any particular year was lower than the nominally-fixed reference price.

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Expert Meeting on the Impacts of Reform Process
In Agriculture on LDCs and Net-Food Importing
Developing Countries, and Ways to Address their Concerns
in Multilateral Trade Negotiations
Geneva, 24-26 July 2000
Item 3 and 4 of the provisional agenda

# IMPACT OF THE REFORM PROCESS IN AGRICULTURE ON LDCs AND NET FOOD-IMPORTING DEVELOPING COUNTRIES AND WAYS TO ADDRESS THEIR CONCERNS IN MULTILATERAL TRADE NEGOTIATIONS

**Background note by the UNCTAD secretariat**

Corrigendum

Paragraph 15: The second sentence should now read, "It also depends on whether exports into their respective markets are made on most-favoured-nation (MFN) terms or under preferential arrangements (reciprocal or non-reciprocal)."

Paragraph 25, first bullet: In the second sentence, delete the word "that" after the words "FAO's assessment". In the third sentence, delete the word "in 1995" after the words "6 per cent".

Paragraph 47: The first sentence should now read, ""[Members agree to provide] a greater improvement of opportunities and terms of access for agricultural products of particular interest to these [developing country] Members" provided by developed country Members in implementing their commitments on market access."

Paragraph 48: In the first sentence, replace the words "technical-barriers-to trade measures" with "technical barriers to trade".

Notes 22 should now read, "A product-specific AMS for market (*price*) support."

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# REPORT OF THE EXPERT MEETING ON THE IMPACT OF THE REFORM PROCESS IN AGRICULTURE ON LDCs AND NET FOOD-IMPORTING DEVELOPING COUNTRIES AND WAYS TO ADDRESS THEIR CONCERNS IN MULTILATERAL TRADE NEGOTIATIONS

**Palais des Nations, Geneva, 24-26 July 2000**

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# I. OUTCOME OF THE EXPERT MEETING

1. Individual experts put forward their views on ways to address the concerns of LDCs and net food-importing developing countries (NFIDCs) in multilateral trade negotiations. The following list summarizes the suggestions of various experts. Not all of these views were shared by all experts; the list is intended to reflect the richness and diversity of the views expressed, rather than agreement.

## 1. Actions under the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Process on Least-developed Countries and Net Food-Importing Developing Countries (Marrakesh Decision)

a. The Marrakesh Decision should be made more operational and aim at solving the long-term food security problems of LDCs and NFIDCs, rather than at short-term needs in terms of food aid.

b. Special consideration should be given to possible effects on LDCs and NFIDCs of reductions or possible elimination of export subsidies, and effects of an internationally agreed discipline on export credits.

c. The mechanism for injecting donated food into the domestic market should be targeted so as to avoid disruption of domestic production.

d. The areas where technical assistance from multilateral and bilateral donors is desired include increasing agricultural productivity, infrastructure building, market information dissemination and export enhancement. Consideration should be given to the possibility of setting up a revolving fund for technical and financial assistance.

e. Separate conventions could be negotiated on financial and technical assistance to strengthen agricultural development of LDCs and NFIDCs.

## 2. Negotiations on the continuation of the reform process in agriculture

***Market access***

a. Existing tariff peaks, especially on actual or potential export products of LDCs and NFIDCs, should be eliminated.

b. Tariff escalation should be eliminated with a view to enhancing product diversification to higher value-added products in LDCs and NFIDCs.

c. With a view to reducing imbalances in the level of actual tariff barriers, reduction of the current bound rates of LDCs, NFIDCs and other developing countries should be conditional upon significant tariff cuts in developed countries. \

d. Measures to assist small-scale developing country exporters to benefit from tariff rate quotas in major markets should be considered.

e. Tariff-free and quota-free market access for exports of LDCs should be implemented by developed countries at the earliest possible date.

f. Negotiations should identify ways, as indicated in the preamble to the Agreement on Agriculture, to improve market access for agricultural products of particular interest to developing countries.

g. Negotiations should address the need for financial and technical assistance to developing countries, especially for meeting the costs of compliance with SPS measures and technical standards (e.g. costs to obtain certification, costs incurred from delays in authorization) in the international market.

h. Preferential market access schemes for LDCs and NFIDCs, with respect to their product coverage in the agricultural sector and their operation, should be continued and improved.

i. The Special Safeguard measures should be made available to all developing countries.

***Export competition policies***

a. Export subsidies provided by developed countries should be eliminated.

b. Export credits should be subject to internationally agreed rules to avoid circumvention of disciplines on export subsidies.

c. LDCs and NFIDCs should enjoy flexibility to provide export subsidies in order to promote the exports of agricultural products with an export potential.

***Domestic support***

a. Trade-distorting domestic support (AMS) in developed countries should be substantially reduced at an early stage so as to eliminate the imbalance in the use of such measures between developed countries and developing countries.

b. Disciplines should be established to limit the extensive use of Green Box measures by developed countries, so as to achieve a level playing field.

c. The Blue Box provision should be terminated.

d. The *de minimis* limit for developing countries should be increased from the current 10 %.

e. Article 13.b(ii) of the Agreement on Agriculture should be reviewed so as to increase flexibility in the use of the *de minimis* measures and to provide that inputs and investment subsidies available to low-income resource-poor farmers will be non-actionable.

f. Development policy measures of LDCs, NFIDCs and other developing countries which target the viability of small-scale subsistence farmers, rural poverty alleviation, and product diversification are important elements to be included in a possible "Development Box".

g. The elements to be included in the Development Box should take into account the need to strengthen vulnerable domestic producers and to improve their export competitiveness. Attention is drawn to the proposal made on the Development Box by 11 developing countries to the special sessions of the WTO Committee on Agriculture (G/AG/NG/W/13).

***Special and differential (S&D) treatment***

a. LDCs and NFIDCs require flexibility to apply urgent measures to safeguard small farmers against import surges and unfair trade practices, particularly those affecting the production of key staples of domestic diet.

b. Modalities for S&D treatment going beyond the current elements of the Agreement on Agriculture should be explored.

c. S&D treatment should take account of specific situations of different groups of developing countries, such as small island developing countries and land-locked developing countries.

***Non-trade concerns***

a. Rural development, poverty alleviation and food security of developing countries should be the main focus of negotiations on non-trade concerns.

**3. Other issues**

***Coherence between Bretton Woods conditionality and the WTO commitments (Marrakesh Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking)***

a. Programmes of Bretton-Woods institutions should conform to WTO rules and obligations. LDCs and NFIDCs should not be required to accept market liberalization or subsidy reduction commitments exceeding the commitment levels accepted at the WTO, nor at a pace exceeding that in the WTO agreements, nor which exceed the capacity of adjustment of those countries.

b. The WTO commitments should reflect the fact that many LDCs and NFIDCs have unilaterally liberalized their agricultural trade so much that they only have tariffs as effective trade policy measures.

c. Credit should be accorded to developing countries for their autonomous liberalization.

***Negotiations on accession to the WTO***

a. Specific conditions prevailing in the agricultural sectors of those countries acceding to the WTO should be taken into account in their accession negotiations.

## 4. Recommendations to UNCTAD and other international organizations

a. Technical assistance from UNCTAD and other international organizations is required in analysing information on agricultural trade policies of other countries and to support developing countries, particularly LDCs and NFIDCs, in the current negotiations and in negotiations on accession.

b. UNCTAD should play a key role in providing the statistical and analytical background needed to support developing countries in the negotiations. Specifically, UNCTAD, working with FAO and other international organizations, should: (i) document and quantify in as much detail as possible the domestic and export support measures and market access restrictions applied by developed countries to their agriculture at the sector and commodity levels, per country; and (ii) assess the impact of support measures and market access restrictions on the competitiveness of developing country exports and domestic products, at the commodity and country levels.

c. UNCTAD should analyse the impact of the Agreement on Agriculture on LDCs, NFIDCs and small island developing countries in agricultural trade, and should develop a specific action plan and accompanying budget.

d. UNCTAD should analyse ways to reduce the cost-disadvantages in agricultural trade (due particularly to the transport cost) faced by the land-locked countries.

## II. SUMMARY OF SUBSTANTIVE DISCUSSIONS

### 1. Presentations by experts on country experiences

2. Individual experts made presentations, in their own capacity, on experiences with the impact of the reform process in agriculture on the following countries: Algeria, Barbados, Bhutan, Bolivia, Chad, Ethiopia, Guinea, Guyana, Lesotho, Madagascar, Malaysia, Mali, Mauritius, Sri Lanka, Sudan, Tanzania (United Republic of), Togo, Trinidad and Tobago, Venezuela, and Viet Nam.

***Presentation on Algeria***

3. Algeria started its macroeconomic reforms in the late 1980s in respect of monetary, price and external trade policies. Trade was liberalized, and monopolies, subventions and price guarantees (except for wheat) were eliminated through a structural adjustment programme. The results were mixed – the reforms led to a reduction of economic distortions but also to social and economic disequilibrium. Domestic production is now insufficient to meet consumption, and agricultural imports account for around 25% of total imports (sugar, coffee and tea being wholly imported). Domestic production covers only 35% of cereal consumption. Several programmes were adopted by the Government to reduce the negative short-term impacts of liberalization, having as their main objectives to: ensure food security; expand production; enhance productivity and encourage diversification of exports; avoid deforestation and desertification; and integrate the Algerian agricultural sector into the global economy. At the international level, the Marrakesh Decision remains very important to Algeria, but it should be noted that the Marrakesh Decision is aimed at dealing with a short-term problem, while food security is an issue that should be treated with a long-term perspective. With respect to accession to WTO, specific conditions in the agricultural sector faced by developing countries acceding to the WTO should be taken into account, as they often lack the capacity to fully comprehend the implications of the multilateral agreements for their economies. It would be essential for Algeria, for instance, to maintain a certain level of tariffs to ensure the success of its agricultural and rural development programmes. Conformity with the 10% *de minimis* limit on domestic support would not present a problem in the near future, but Algeria's commitments should take into account the development programme under way which should be covered by special and differential treatment and the Green Box provision. Negotiations on the continuation of the reform process should concentrate on: special and differential treatment; an improvement in market access for products in which developing countries have comparative advantages; more effective assistance to reap the benefits of investment; and technical and financial assistance from international organizations for national development programmes. The multilateral trading system should increase the room for maneuver of developing countries.

***Presentation on Barbados***

4. In addition to being classified as a small island developing state, Barbados is a net food-importing developing country (NFIDC) and as such suffers specific handicaps due to its small size, limited internal markets and limited natural resources, as well as its vulnerability

to natural disasters due to its location. Approximately 74% of all food consumed in Barbados is sourced through imports, amounting to US$ 320 per person per annum. The ratio of the value of Barbados' imports to its exports deteriorated from 3.18/1 in 1990-1994 to 3.44/1 in 1995-1998. Many of the gains in the export of food products during the period 1994-1999 were realized from exports to the Caribbean Common Market (CARICOM) countries within the context of the CARICOM trade agreement. Barbados continues to adopt a liberal trade policy based primarily on tariffs and the operation of a licensing regime for sensitive agricultural commodities. Apart from the licensing regime for these commodities, which have been tariffied and are now subject to bound rates, no other non-tariff barriers to trade are in effect. The impact of export subsidies on the agricultural sector in Barbados is mixed. On the one hand, export subsidies do contribute to lowering world market prices for commodities, which is positive from the perspective of food imports that do not compete with domestic products. On the other hand, since Barbados is an exporter of sugar under the ACP/EU Sugar Protocol, reduction of export subsidies would impact negatively on the price received for sugar, which will impact significantly on foreign exchange earnings and in turn on food security. Growth in earnings from sugar exports in Barbados between 1994 and 1998 lagged behind other Latin American and Caribbean countries. Barbados recorded average growth of export earnings from sugar of 2.2%, compared to an overall 131.1% increase cited by the WTO secretariat (G/AG/NG/S/6). Other examples of the negative impact of the reform process on the agricultural sector include the case of poultry products, whose imports increased by more than 200% in 1998/1999 from the pre-Uruguay Round period. If current patterns persist, importation levels will amount to over 50% of local consumption by the end of the year. A detailed analysis of the impact of the Agreement on NFIDCs in general, but especially the small developing States within this grouping, will have to be undertaken, as there would be peculiarities in these States that need to be taken into account in the ongoing negotiations.

***Presentation on Bhutan***

5. Bhutan, as an LDC and a small land-locked country with a rugged geographical terrain, has had tremendous limitations on its agricultural development. Although only 8% of its total land area can be used for agricultural production, about 85% of Bhutan's population derive their living from agriculture. Bhutan's agricultural sector consists of farming, animal husbandry and forestry, and accounts for about 38% of its GDP. Food imports are mainly to feed the urban population, and almost 100% of the imported food grains and dairy products are from India, with very negligible quantities of processed food from Thailand and Bangladesh. With respect to Bhutan's imports of agricultural and livestock products (which are insignificant at present), tariff ranges are from 0 to 30% for all agricultural products, and up to 50 to 100% for beer, alcoholic beverages and spirits and for tobacco products. For environmental reasons, the slash and burn cultivation system is discouraged, and the Government encourages the growth of more cash crops like potatoes, apples, oranges, etc. In the high altitude areas, where people used to grow buckwheat and wheat, they are now growing potatoes for sale, and it is likely that traditional cereals like buckwheat and millet will be replaced permanently by imported rice in future. Owing to population growth and importation of workers for major development projects, Bhutan will no doubt continue to be dependent on food imports in future. On the export side, due to seasonal differences, Bhutan

is able to export its surplus agricultural products profitably to India, particularly the vegetables and fruit crops produced during the off-season in India. Almost all exports of those products to India are effected through the auction system operated by the Food Corporation of Bhutan (FCB) in the border areas, except for processed foods and fruits. Trade in agricultural and livestock products between Bhutan and India are duty-free under a special bilateral trade agreement between the two countries. Some years ago, Bangladesh opened its market to Bhutanese fresh fruits and processed fruit products, and Bhutan enjoys a 50% duty concession from Bangladesh on these products. Bhutan, as a land-locked country, faces a problem of high costs of domestic production and transport, as well as difficulties in access to foreign markets due to low volume and quality standards. Bhutan's usage of chemical fertilizer in agricultural production is very low, and it has a high potential for organic farming for the export market. For this, Bhutan would need some technical assistance as regards certification procedures.

***Presentation on Bolivia***

6. Bolivia uses only one quarter of its agricultural potential as a result of both external and internal factors. In 1996 a new regulatory framework was introduced with the aim of enhancing the use of agricultural potential and alleviating poverty while preserving the environment. This involved new laws on land, forests, water and the environment. As land constituted the only capital for indigenous peasants, their access to public land was central to the effort to reduce extreme rural poverty. The policy of Bolivia aimed at increasing agricultural productivity rather than bringing new land into production, which could have negative environmental implications. Bolivia's wheat production declined to negligible levels in the early 1990s as a result of competition from food aid shipments. A new policy introduced in 1992 among the major donors, the agricultural producers and the flour mills to maintain prices provoked a spectacular increase in land planted with wheat, from 3,500 hectares in 1994 to 112,000 hectares in 1997. The certified seed production policy had also been a success - seed production rose from 764 tons in 1981 to 43,155 tons in 1998 as a result of public and private sector cooperation, including research and transfer of technology. Soybean and oilseed production also increased dramatically, accounting for 10% of total exports. Bolivia eliminated its development banks at the beginning of the last decade, and no subsidized credit is available to producers. Micro-credit for small farmers is now provided by NGOs. The main problem facing small farmers has been unfair competition from food aid and subsidized exports. Bolivia considers that the negotiations in the WTO should eliminate such unfair practices, since they create dependency and condemn the net food importers to remain in that category . Market access should be improved by attacking subsidies and high tariffs, as well as problems arising from sanitary and environmental regulations and standards. The concept of multifunctionality could lead to increased protection. If non-trade concerns are to be addressed in the ongoing negotiations, the focus should be on poverty reduction.

***Presentation on Chad***

7. As in a number of other countries in the region, there is a sentiment in Chad that the Uruguay Round Agreements will impose new constraints on the country, in addition to those

experienced under the structural adjustment programme. One of the major concerns of Chad with respect to the possible consequences of the Uruguay Round has been a rise in agricultural prices. Being a small actor in the international market, international price fluctuations would have a large impact upon the country. As a net food-importing country, a rise in prices of foodstuffs is a legitimate concern. Chad hopes that developed countries and financial institutions will agree to contribute to the creation of a special fund aimed at helping LDCs to combat the negative impact of higher food import bills and to increase their local food production. It should be noted that the reduction of subsidized exports from Europe, and subsequent rises in agricultural prices, may also allow agricultural products of Chad to become more competitive in sectors such as meat and sugar, which could lead to an increase in exports to neighbouring countries (Nigeria, Cameroon, Central African Republic, Congo, Democratic Republic of the Congo and Gabon). Hence, the elimination or reduction of export subsidies in Europe could, on the one hand, raise concerns of higher prices of food imports and, on the other, increase the competitiveness of Chad's agricultural exports *vis-à-vis* exports from Europe.

***Presentation on Ethiopia***

8. The agricultural sector in Ethiopia accounts for about 60% of GDP, 85% of total employment, and 90% of the country's foreign exchange earnings, of which coffee alone accounts for 60%. Cereals are the most important food crops, occupying 76 % of the total cropped area. The farming system in Ethiopia falls under three major categories: smallholder mixed farming, pastoral/agropastoral farming, and commercial farming. Ethiopia's livestock population is the largest in Africa and the tenth largest in the world. The livestock subsector contributes an estimated 15% of GDP and 33% of agricultural GDP. The contribution of hides and skins to total export value is considerable. Despite the high resource base and suitable conditions for agricultural production, overall productivity is low. Although agricultural production (crop and livestock) grew by 3.87 % per annum during the period 1990/1991 to 1997/1998, it is still inadequate compared to the average annual population growth of 3%. Production levels also fluctuate with rainfall patterns. Moreover, the increase in output was largely due to an expansion in the area under cultivation, rather than yield improvement. The principle production constraints faced by Ethiopia include the following: scarce water resources; uncontrolled deforestation; unsystematic farming; poor managerial skills, and insufficient impact of research and extension programmes on land and labour productivity. The Government introduced a new economic policy (NEP) in 1991 which embraces free market and private initiatives. It has also taken measures to develop policies and strategies that would coherently address and strengthen the efforts to ensure food security, increase exports of products in which Ethiopia has a potential comparative advantage, upgrade production techniques, and stabilize prices through targeted market intervention. The central component of this policy in the agricultural sector revolves around the Agricultural Development Led Industrialization (ADLI) strategy. While focusing on smallholders, the strategy also encourages the growth of both extensive mechanized farms and intensive commercial agriculture. In order to support the growth of the new and fragile domestic market, the Government has envisaged stabilizing prices and food supply through targeted market interventions such as establishment of emergency food security reserves and buffer stock schemes. As for the issues for the ongoing agricultural negotiations, the

following points should be given sufficient consideration: (i) food security is a fundamental human rights issue; it should therefore be acknowledged as such, especially by developed countries, and Governments should be allowed to implement national food security plans; (ii) LDCs should arrive at a common position to defend food security as a non-trade issue; (iii) tariff peaks resulting from tariffication should be eliminated; and (iv) LDCs should retain the right to use subsidies to improve their competitiveness. The Marrakesh Decision on measures concerning the possible negative effects of the reform programme for LDCs and NFIDCs should be made more effective and enforceable.

***Presentation on Guinea***

9. Since 1986, Guinea, a least developed country, has adopted new development policy based on the economic liberalization and privatization of productive and commercial activities. The rural sector and agricultural development have been at the core of these institutional and structural reforms. In 1991, the Government elaborated the first Agricultural Development Policy (LPDA - *Lettre de politique de développement agricole*) aiming at food security, export promotion and preservation of the production base. In 1997, the second LPDA was initiated within the framework of the medium- to long-term development strategy named "Guinea Vision 2010". In conjunction with those reform measures, Guinea became a member of the WTO in October 1995. The effect of market liberalization since 1991 had, in some instances, led to a substantial increase in food imports. The lowering of the tariff on rice from 27% to 22.5% in 1992, for instance, was followed by a strong increase in rice imports from 1992 (182,160 tonnes) to 1995 (290,750 tonnes). Guinea also dismantled quantitative restrictions against a large number of imports, though certain measures are maintained for the protection of health, security and moral order. The domestic production of rice, potatoes and onions faces competition with subsidized exports of those products from other countries. The price gap between the locally produced rice and imported rice fell from 136 FG/kg in 1993 to 131 FG/kg in 1997. The ratio of imported rice to local consumption remains at 39%. Given this high dependence on imports, the price fluctuations affecting imported rice (mainly from Asia) in the last six years have initiated an increase in the consumption of manioc and maize as substitutes for rice. With respect to agricultural exports, the reduction in tariff barriers and non-tariff barriers, as well as the continuation of preferential market access of which Guinea is a beneficiary, encouraged agricultural exports from Guinea. Looking at year-to-year growth of agricultural exports between 1998/1999 and 1999/2000, export quantities of pineapples, melons and water melons more than doubled. Exports of cotton and coffee also showed significant growth. The principal destinations of exports are the European Union and Maghreb countries. There is a channel of commercial information for determining the needs for Guinea's products in major importing countries, supported by both the public and the private sectors. The current major objective in the agricultural sector is the horizontal and vertical diversification of export products. Guinea seeks to receive technical assistance from international organizations primarily in the following fields: increasing productivity of family farmers; organizing the production and distribution of agricultural inputs; and introducing measures against plant disease affecting potatoes and citrus fruits.

***Presentation on Guyana***

10. Guyana's agricultural sector is dominated by sugar (cane) and rice production, together comprising more than 50% of total agricultural output. Exports of both sugar and rice depend on preferential marketing arrangement in Europe. Following the liberalization of the economy in the early 1990s, there was a surge in imports, particularly of dairy products and of wheat and cereal preparations. The impact of adjustments in agricultural support budgets of developed countries will be felt increasingly by Guyana's agricultural sector. This is particularly so in the case of sugar, which is exported primarily to the EU (accounting for 90% of total sugar exports) under preferential agreements. For rice, the impact of limited access to markets is already being felt in Guyana's traditional Caribbean markets, due in large measure to government-supported competition from the United States. Most of the rice entering the Jamaican market has been coming under the US non-donation food-aid programme (PL480), and is thus not subject to import tariffs. The impact of food aid on the competitiveness of developing country production should therefore be studied carefully. The poultry industry represents a case of an industry which has come under significant pressure from imports. Since the opening up of the economy, domestic producers have faced stiff competition from US poultry imports, consisting of frozen leg quarters. US poultry exporters enjoy considerable levels of export subsidies and export credits from their Government. The domestic market for most other products (mainly tropical fruit and vegetables) has not been significantly affected either by trade liberalization or by WTO reforms. The developments in 1998-1999 were more in line with the long-term declining trend in agricultural commodity prices. Moreover, it seems much clearer that the continued use of agricultural subsidies by developed countries is having an added depressing effect on world prices. In this respect, developing countries such as Guyana have an overriding interest in the existence of an international trading system that is as open and transparent as possible. In the WTO agriculture negotiations, therefore, strategies aimed at achieving swift and sharp cuts in government support measures will have to be worked out by developing countries with the ultimate aim of achieving world prices that are remunerative and sustainable. There is an understanding that the WTO process should deal specifically with commodities that are of export interest to developing countries, which would require an in-depth analysis of commodity-specific issues. UNCTAD, in conjunction with FAO and other international organizations, is encouraged to conduct a quantitative assessment of the levels of support and market access restrictions maintained by developed countries, and the economic effects that such measures are having on developing countries, at the commodity and country levels. On the issue of sanitary and phytosanitary measures (SPS), the position of some WTO members is that the SPS Agreement should not be open to negotiation. This should be of concern to developing countries, since the SPS Agreement, as structured, leaves too much room for non-transparent procedures.

***Presentation on Lesotho***

11. Lesotho is a least developed country. The share of the agricultural sector in GDP declined from 60% in the early 1960s to around 13% in the late 1990s. However, 80% of the population live in rural areas, and more than 70% of the rural population are small-scale agricultural producers. Agriculture thus remains a key source of employment. Since the mid-1990s, Lesotho has adopted a two-tier strategy of privatization of state enterprises and

outsourcing of support services, and agricultural market liberalization. The primary objectives of introducing market reforms were to improve food security through access to cheaper food and ensure more effective resource allocation within the sector by unlocking resources from the production of less profitable crops in favour of high-value crops, thus diversifying output and increasing the export base. Liberalization has increased access to cheaper food grains, which, however, has encouraged imports, leading to an increase in food import bills. No significant progress has been made in terms of diversifying agricultural output to expand the export base. This indicates that market reform alone cannot significantly induce efficient resource allocation, unless it is accompanied by, *inter alia*, an improvement in local producers' access to productive resources and information and in the infrastructure. External factors have also affected the agricultural sector of Lesotho. The bilateral trade agreement between the EU and South Africa, both of which are major export markets for Lesotho, eroded Lesotho's preferential margins under the Lomé Convention (e.g. for asparagus). Lesotho is a member of the Southern African Customs Union (SACU), and the tax revenue collected from trade with other SACU members accounts for 50% of the country's fiscal revenue. Erosion in preferential margins would thus have a negative impact on government revenue. Among other effects, the eroded preferential margins may also have had a negative impact on the privatization programme, so that it is now difficult to attract foreign direct investment by strategic investors for enterprises earmarked for privatization, as was the case with the asparagus canning enterprise after South Africa obtained free market access to the EU for asparagus. Technical and financial support for LDCs such as Lesotho is essential to enable them to expand production of exportable commodities. Specific areas of support may include: provision of incentives to multinational corporations for investment and formation of joint ventures in LDCs; training in the operationalization of the Agreement on Agriculture; and improvement of marketing information flow and exchange.

***Presentation on Madagascar***

12. Madagascar is a least developed country member of the WTO. During the period of the implementation of the Agreement on Agriculture, there has been a slow-down in the dynamics of grain markets (e.g. rice and maize), accompanied by diminishing stocks and reductions in revenues. The food import bill in LDCs and NFIDCs has increased, presumably due to a fall in food aid volumes and subsidized exports. The interests of developed countries diverge from those of developing countries, including LDCs. Developing countries must therefore request minimum protection and guarantee measures to ensure that: the vulnerability specific to developing countries is fully taken into account; disguised subsidies under the EU Common Agricultural Policy are eliminated; products strategic to developing countries (i.e. vanilla for Madagascar) are protected; indemnities, compensatory facilities, quotas and dumping systems are eliminated; and domestic support provided in rich countries is reduced. Madagascar cannot afford to provide export subsidies or domestic support. The export products of Madagascar, such as vanilla, coffee, girofle and cacao, are also affected by non-tariff measures such as SPS measures and TBT implemented by importing countries. The reality of the present globalization wave is not consistent with theoretical liberal free-market principles and in fact favours rich countries at the expense of poorer countries. In order to obtain real benefits from the Uruguay Round reform process in agriculture, the following issues should be further examined: market access (contingent administration, reduction of

tariff escalation, duty-free access for exports of LDCs); domestic support (maintenance of special and differential treatment for LDCs); export competition (elimination of export subsidies); technical and financial assistance for developing countries; and flexible protection measures targeted at key sensitive products (such as rice, cotton, vanilla, coffee and girofle for Madagascar). Finally, regional trade agreements, such as the Southern African Development Community (SADC) and the Common Market of Eastern and Southern Africa (COMESA), of which Madagascar is a member, should support the development of the external trade of Madagascar.

***Presentation on Malaysia***

12. Although it is generally understood that liberalization of agricultural trade will increase food prices, non-participation in liberalization would only result in greater losses. Malaysia implements a liberal trade regime in sectors including the agricultural sector. The simple average tariff in 1993 was 14%, and it was even lower for agricultural products (10.4%). Except for rice imported from outside the ASEAN countries, most food imports enter Malaysia duty-free. The effects of trade liberalization as a result of the Uruguay Round are evident in the poultry sector. Previously protected by an import ban, domestic producers are faced with sharp competition from Thailand. As a result it is expected that large-scale and vertically integrated domestic producers will eventually improve their competitiveness and consumers will benefit from lower prices. However, possible increases in food prices stemming from the Uruguay Round agricultural reform process are a major concern of Malaysia, which is a net importer of wheat, maize, rice, sugar and beef, among others. The balance-of-trade effect of the reform process on Malaysia will thus depend on whether the growth in exports of palm oil and other export commodities exceeds the increase in food import bills. Malaysia is also concerned about the increasing introduction of non-trade-related issues, such as the environment and animal welfare, into negotiations on agricultural trade liberalization. Those issues should not be used by developed countries in a manner which would deter developing countries' efforts to increase their comparative advantages in agricultural production. In parallel, attention should be paid to the trend towards the emergence of monopolies as a result of trade liberalization. The agricultural sector in Malaysian has been heavily affected by the recent financial crisis. Between 1996 and 1998, agricultural output declined by 0.2 % compared to a targeted growth of 2.4 %. Other negative effects include the loss of value of plantation stocks, a decline in loans and funds for agricultural investment among others, and higher import prices resulting from depreciation of the Malaysian Ringgit. The Malaysian Government is initiating a package of market-based strategies, but the primary concern of the Government is how to carry on with liberalization without deviating from national development objectives. Given that the most severely affected subsectors (rice and tobacco) mainly consist of poor small-scale producers, withdrawing support from those subsectors would result in outcomes in contradiction with Malaysia's social development policy objectives. With a view to supporting the most affected subsectors, there would be three options that are consistent with WTO disciplines: the movement of producers into other areas/sectors; the introduction of an income support programme; and the utilization of other 'Green Box' measures. While all options pose problems, option three or a combination of options two and three seem more feasible.

***Presentation on Mali***

13. Mali is a sub-Saharan least developed country with 44 million hectares of cultivable land. Agriculture and breeding constitute the main activities in the rural areas of Mali. Food production is dominated by the production of cereals, mainly for subsistence purposes. Mali, like other sub-Saharan LDCs, has been engaged in structural adjustment programmes. In the 1980s, the goal of these programmes was to help the country to emerge from economic and social crises. Macroeconomic and sectoral programmes were used, including a programme for agriculture (PASA). All these programmes aimed at increasing productivity and the development of exports. The country has been continuing its structural adjustment efforts since 1992, the principal objectives being to: promote and diversify agricultural production; increase food security; and improve the use of natural resources. As a result, the agricultural sector has expanded, mainly in the subsectors of cereals and cotton. All in all, the agricultural sector has contributed positively to the recent economic performance of Mali, and it has accounted for 40-45% of GDP since 1992. Breeding has also increased. In the case of cereals and cotton, the improvement can be explained by weather conditions and the expansion of the surface used for production. For rice, an additional factor has been higher yields. These changes took place thanks to the PASA. In short, SAPs have had a positive impact on the economy, while they have also had some perverse effects owing to the withdrawal of the State from certain support activities, such as subsidization and supply of inputs, including credit, when the private sector was not ready to take them over. Agriculture in Mali is dependent on weather conditions. Despite the recent increase in agricultural production, Mali remains a net food-importing country. No domestic subsidies or internal support have been provided to the agricultural sector. The Uruguay Round has had no incidence on export opportunities, which continue to be based mainly on natural comparative advantage. Mali remains more vulnerable to changes in the prices of raw materials and to fluctuations in exchange rates than to the changes stemming from multilateral trade liberalization. In conclusion, Mali will have to diversify its exports and gain access to new markets. However, to fight marginalization in the global market, competitiveness needs to be combined with development aid.

***Presentation on Mauritius***

14. With respect to agricultural products and its schedule on market access, Mauritius, a net food-importing developing country, has committed ceiling bindings in respect of its bound rate of duty at 37%, 82% and 122%. Thirty-two tariff lines have been included in the list. The main features of the bindings are as follow: (i) ceiling binding 37 %: bovine meat, milk and dairy products, potato seed and ware and onions, peas, oranges, wheat, maize and rice; (ii) ceiling binding 82 %: coconuts, bananas, tea, and preserved tomatoes; (iii) ceiling binding 122 %: poultry and poultry products, cut flowers and sugar. Applied rates on all of these products are considerably lower or duty-free. Given the difference in bound and applied tariffs, there has been no change in import flows as a result of the Uruguay Round commitments. Increases in imports have been brought about by changes in consumer patterns and, more particularly, the significant increase in tourist arrivals. Apart from some fresh vegetables, tropical fruits, poultry and poultry products, Mauritius has been compelled to import the totality or near totality of its cereals, edible oil, meat, dairy products, temperate

fruit and processed food products. The food import bills in 1994-1998 show a net increase. The index of the food import bill, with 1994 as the base year (i.e. 1994 = 100), increased constantly to 162 in 1998. Imports of foodstuffs are undertaken by public and private operators. The State Trading Corporation is mainly concerned with the import of certain cereals which it acquires through public tenders. The private sector comprises mainly local companies, some being in partnership with foreign companies. With respect to the effect of multilateral tariff liberalization and the provision of the Uruguay Round market access opportunities (tariff rate quotas), in the case of Mauritius, and most of the Lomé (now Cotonou) Agreement signatories, this has resulted in an erosion of preference margins in respect of several off-season products and inability to make use of the new export opportunities on account of, *inter alia*, remoteness and low cost competitiveness due to the absence of economies of scale. Extending the scope of preferential market access to all LDCs would have been a welcome decision. However, this is not possible, as certain major exporters of agricultural products from both the developed and the developing countries have taken a resolute and inflexible approach in opposition to the requests of the vulnerable developing countries and LDCs. With respect to other areas of the Uruguay Round commitments, Mauritius provides no AMS or export subsidies. Mauritius agrees with the UNCTAD secretariat background paper (TD/B/COM.1/EM.11/2), which indicates that an estimation of "the precise impact of the Agreements on Agriculture, which is subject to a mixture of exogenous variables, would be technically feasible after only a few years of implementation". In this respect, Mauritius believes that the analysis of the results of the Uruguay Round as provided for in paragraphs (a) and (b) of Article 20 should be expedited. This analysis would be useful in reaching a collective understanding on the impact of the reform process in agriculture on LDCs and NFIDCs.

***Presentation on Sri Lanka***

15. The historical thrust in the food crop sector of the traditionally dualistic agricultural economy of Sri Lanka was towards self sufficiency. The food sector was still protected up to the early 1990s, but it has been rapidly liberalized since 1994. In the domain of tariff-only policies, Sri Lanka complies with the Uruguay Round requirements, having bound tariffs for most commodities at 50%. Tariffs on most agricultural goods are now 35%. Sri Lanka's experience with tariff rate quotas and Special Safeguard (SSG) Measures is virtually non-existent. Preferential trade relations are limited to SAPTA countries. Access to OECD markets for non-traditional agricultural exports is now being made very difficult due to high product-quality standards and SPS and packaging requirements in those markets, and also due to tariff escalation. Domestic support measures are concentrated in the category of Green Box measures. Most export taxes have been abolished and export subsidies were never in existence. Sri Lanka's traditional agricultural exports are tea, rubber, coconut and spices. They surged in the 1995-1997 period, and so did imports (most of them constituted by food), albeit at a slower pace. These developments, at least temporarily, reversed a negative trend in net agricultural exports, which had been declining and even became negative in 1993 and 1994. Sri Lanka's total food imports account for almost 90% of all agricultural imports, while food products account for less than 20% of agricultural exports. Food imports have grown steadily, from roughly US$ 300 million in 1985 to more than double in 1998. The average value of food imports in 1995-1998, at US$ 609 million, was 42% higher than in 1990-1994.

Food exports were more or less stagnant during most of the 1985-1994 period, but the average value of exports in 1995-1998 was 58 % higher than in 1990-1994. The recent improvement in agricultural trade is not attributable to the Uruguay Round for the following reasons: market access for most agricultural exports from Sri Lanka was already liberal prior to the Uruguay Round; and Sri Lanka exports largely to the Gulf countries, most of which are not WTO members. Positive market-opening effects of the Uruguay Round so far appear to be confined to non-traditional exports, and the growth of these has been modest. Although hard statistical evidence is not yet available due to the shortness of the time that has elapsed since the reforms, eliminating non-tariff barriers and fixing applied tariff rates at 35% on all agricultural commodities led both to a surge in food imports and to a reduction in domestic production of certain food crops in recent years.

***Presentation on Sudan***

16. Agriculture is the major economic sector in Sudan. Among the main problems that exist, farmers face difficulties in marketing their export products, agricultural products are heavily taxed, causing increasing costs and low competitiveness, the level of agricultural technology is low, while information about international markets concerning SPS and TBT requirements, market access and prices is scarce. However, Sudan is self-sufficient in food, and even has some surpluses to export, e.g. sorghum, meat, vegetables and mango. Like other LDCs, Sudan, for the time being, is far from benefiting from the liberalization process. In this respect, technical and financial assistance is needed in order to develop and expand Sudan's agricultural sector. Specific requirements include: (i) a timetable for technical and financial assistance provided by developed nations to LDCs to join WTO; (ii) more serious commitments by developed countries to open their markets to the LDCs' products, without using SPS and TBT agreements as new barriers to trade; (iii) transparency; and (iv) further reductions in domestic and export subsidies in the developed nations to make competition in the international market fair.

***Presentation on Tanzania (United Republic of)***

17. Like many LDCs, the United Republic of Tanzania depends largely on agriculture. Since the mid-1980s, the Tanzanian economy has undergone gradual but fundamental transformation that has redefined the role of the Government and the private sector in, *inter alia*, direct production, processing and marketing activities. However, the agricultural sector has failed to become an engine of growth, and has been disappointing in its role in poverty reduction and food security improvement. A number of constraints such as low investment, poor rural infrastructure, limited capital and access to financial services, and inadequate supporting services, including a weak and inappropriate legal framework, land tenure and taxation policy, have prevented the agricultural sector from performing well. The liberalization process has activated the private sector in agricultural trade, and farmers were enabled to sell their products at the farm gate for cash, without the interference of any crop board. However, farmers often suffer from a lack of bargaining power, which they had enjoyed before as members of the now-defunct cooperative societies. The lack of market information and of sound storage facilities for stocking the harvest, as well as the *de facto* ban on cross-border trade of food crops, are among the most serious obstacles to the

performance of farmers in this sector. With regard to the impact of the multilateral trading system on the United Republic of Tanzania, the Uruguay Round has had no or little beneficial effects in terms of market access, largely because the country is an insignificant producer from a global point of view. Reductions in export subsidies by developed countries have not been enough to increase Tanzania's exports of products where it has a comparative advantage. Other factors hindering increases in Tanzania's exports include the persistence of tariff peaks, tariff escalation and non-tariff barriers (e.g. SPS regulations) in major importers of Tanzania's products. The United Republic of Tanzania requires measures to overcome the constraints stemming from: the small domestic capital base for investment, the lack of trade, finance and working capital, the inadequacy of market information flows, the lack of commercially oriented extension services, poor technology and product quality, inadequate measurement, standards testing and quality systems, and limited knowledge of regional and international markets, among other problems. In addition, the country needs technical assistance to develop sanitary policies and legislation. With regard to future negotiations, the main concerns of the United Republic of Tanzania relate to the possible rise in food prices and therefore an increase in the food import bill, the potential for erosion in concessions and preferences for agricultural products, and tariff escalation in respect of processed products. Issues of development must be addressed decisively.

***Presentation on Togo***

18. Togo, a least developed country in West Africa, became a member of the GATT in 1964 and is one of the original members of the WTO. As part of its Uruguay Round concessions, Togo set a maximum ceiling tariff rate of 80%, which incorporated the fiscal tax, statistical tax and other tax and charges previously levied on imports. Economic and trade liberalization had, however, already taken place in the 1980s and continued throughout the 1990s. The general objectives of government policies in the agricultural sector include: ensuring food self-sufficiency and food security; increasing agricultural exports and non-traditional tradable products; and improving the income and the living standard of the rural population. Liberalization of export and import markets has been encouraged, especially since the issuance of government decree No. 92-092/PMRT in 1992, which included measures such as suppression of import licences and export authorization for cereal and livestock. Nevertheless, the decree allows the Government to take all safeguard measures necessary to ensure local market supplies in times of difficulties. Some safeguard measures were applied by the Government for vegetable oils in 1994 and for exports of cereals in 1995. Three products, namely cacao, coffee and cotton, dominate Togo's agricultural exports. At the same time, there are non-official exports of products such as maize, igname, gari and tapioca to neighbouring countries. Major agricultural imports include frozen fish, wheat flour, dairy products and rice. Between 1990 and 1995, the trade balance of Togo was in deficit, rising to 88 million CFA francs in 1995. However, the agricultural trade balance was positive until 1995 and again in 1996, largely due to an increase in cotton exports and the devaluation of the CFA franc. The agricultural sector represented 34% of Togo's GDP in 1996. Food production constitutes about two-thirds of agricultural GDP. To increase Togo's effective participation in the global agricultural market, the country needs to improve the product quality of its exports. At the same time, while Togo has not been a recipient of food aid in recent years, the declining trend in food aid availability should be stopped, so as to ensure

that emergency situations, to which LDCs are highly vulnerable, are dealt with adequately.

***Presentation on Trinidad and Tobago***

19. Trinidad and Tobago is both a net food-importing developing country and a small island developing State (SIDS), and thus suffers from structural weaknesses specific to both groups of countries. In particular, it imports over 70% of its staple food. Trinidad and Tobago has been heavily dependent on oil since the commercialization of the oil sector some 30 years ago. When the oil market experienced a slump in the 1980s, the country was faced by severe economic deterioration, and embarked on a comprehensive structural adjustment programme in the mid- to late 1980s, an integral part of which was the Agricultural Sector Reform Programme started in 1993. The Programme consisted of components such as trade and price policy, land use policy, and administration, restructuring and divestment of state-owned enterprises. The trade and price policy components were in compliance with the obligations of the WTO Agreements and in fact exceeded those obligations. They comprised tariffication of quantitative restrictions, elimination of the negative list of agricultural products, and a phased programme of tariff harmonization and reduction. Trinidad and Tobago bound tariffs of most agricultural products at 100% (the applied rates of which are mostly 40%, consistent with the Common External tariff of CARICOM) and a few sensitive items (e.g. poultry, sugar, lettuce, cabbage and coffee) at higher rates. Domestic support for agriculture since the Uruguay Round Agreement on Agriculture has not exceeded the 10% *de minimis* level. There are no export subsidies. The impact of the Uruguay Round agricultural reform process on the country appears to be mixed. Production of some of the major staples in which the country has some supply capacity has been negatively affected. Self-sufficiency rates in rice and pork, for instance, dropped to 20% from the pre-Uruguay Round level of 42% in the case of rice and to 50% from 57-76% in the case pork. The food import bill increased in spite of the fact that world food prices have so far failed to rise as expected as a result of the Uruguay Round. The adjustment cost of liberalization was felt particularly by local producers of primary and processed products such as ice cream, vegetables, and pork. As far as exports are concerned, multilateral trade liberalization did not improve the export performance of major export products such as sugar. While exports of fresh vegetables increased, sanitary and phytosanitary requirements in OECD countries constituted a drag on further expansion in non-traditional agricultural exports. Fish and ice cream exports have already been damaged by these SPS norms. The overall impact of both the domestic reform programme and the country's implementation obligation to WTO appears to be modest. Expected benefits targeted at relieving the supply constraints have failed to materialize, partially due to the lack of institutional, analytical and managerial skills, which have not benefited by a reform programme. As a result, imports are made easier while no action is taken to remove constraints on local supply expansion. The pace of reforms to remove supply constraints is slow, whereas the reforms to remove barriers to market access have essentially been completed, making access to the Trinidad and Tobago markets easier.

***Presentation on Venezuela***

20. In the past, due to the fact that a major part of Venezuela's income was derived from the petroleum sector, not enough attention was paid to the agriculture sector. However,

during the process of accession to the WTO at the end of the 1980s, the Government came to see the need to take several new measures to make Venezuela's legislation compatible with the rules of the WTO. This process also gave birth to a new trade policy, contained in decree 239, which, however, due to a number of political setbacks, lacked continuity. The present Government has designed and implemented a new national plan for food and agricultural development, which will be implemented in three different phases over the next 20 years. The plan has a highly social content and targets food security, rural development (to increase employment) and the development of an agricultural food chain, according special attention to reaching satisfactory levels of quality, price and competitiveness, which will take time and money to achieve. Venezuela is committed to fulfilling its commitments at the WTO, but in order to do so on a level playing field it will require true and effective special and differential treatment.

***Presentation on Viet Nam***

21. Since the late 1980s, Viet Nam has applied a set of reform policies in the agricultural sector which have included land reform, promoting the role of the private sector and allowing prices to be determined by market forces. As a result of these reforms and other government policy changes, Viet Nam's agricultural production during the last 10 years has achieved steady growth of 4.3% per annum in value terms. Gross output of food crops, industrial crops and livestock has posted significant growth; for example, paddy yield has risen by 52%, coffee by a factor of 10 and rubber by 114%. The agricultural sector is still the main source of income and employment, and represents 25.4 per cent of total GDP. Agricultural exports have also grown very fast, at a rate of 15.2% per annum, over the past five years. In 1999, the value of agricultural exports reached US$ 3.2 billion, accounting for nearly 28 per cent of Viet Nam's total export turnover. Given the limited size of the domestic market and the unstable conditions of the international market, the major difficulty faced by Viet Nam's agricultural sector is to find markets for its increased production. Another problem relates to the rapid changes in demand and structure in both domestic and foreign markets, which are difficult for Viet Nam's agricultural sector to adapt to. The low level of technology and the underdevelopment in rural infrastructure and services, which contribute to the inefficiency and ineffectiveness of the operations of many agricultural firms, also represent bottlenecks. With respect to the liberalization process under the Agreement on Agriculture, Viet Nam's accession to the WTO could bring some trade opportunities, including access to advanced technologies and investment capital. On the other hand, Viet Nam would also face many difficulties when competing with other countries in both international and domestic markets. With regard to the next round of multilateral negotiations, there should be more balance in commitments between developed and developing countries on market access (tariffs and TRQs), domestic support, and export subsidies. In other words, agricultural products from developing countries should be able to achieve increased penetration into developed countries' markets.

## 2. Presentations by lead discussants

***Food and Agriculture Organization (FAO)***

22. The representative of **FAO** provided an update of a forecast of the food security situation and trends in cereal import bills of the LDCs and the NFIDCs. In the current marketing season, world cereal utilization will exceed global production for the second consecutive year, leading to a further decline in stocks. Food trade is forecast to decline from the previous season. Cereal prices are still falling at present, but they are expected to recover this season due to a tighter demand/supply balance. Food aid declined in the 1999/2000 season by as much as 3 million tonnes. In spite of the relatively high volume of global food aid in 1998/99, food aid available for developing countries as a whole has been on a downward trend since 1992. It is important to note that food emergencies persist in many countries throughout the world, and the latest information from FAO points to as many as 36 countries facing food shortages of varying intensity. In 1998/99, the combined cereal import bill of LDCs and NFIDCs was $6.3 billion, down 15% from the previous year, owing mainly to declining world prices. This trend appears to have continued in 1999/2000, for the fourth consecutive year, owing also to improved production in Bangladesh and Egypt and to concessional credit sales, which have tended to reduce the cost of importing due to liberal repayment terms. As a result of these trends, and especially of the sharp drop in grain prices, the cereal import bill for LDCs and NFIDCs has declined since the 1995/96 price hike, in spite of increased cereal imports, lower export subsidies, and reduced food aid levels. However, this import bill reduction has been due only to contingent supply/demand conditions and is likely to be reversed by the second part of the present season. As regards FAO activities in support of LDCs and NFIDCs, such as an FAO Symposium on "Agriculture, Trade and Food Security", held in September 1999 in Geneva, these will be continued. With a view to increasing coordination among relevant international organizations and institutions in this area, FAO held an informal inter-agency meeting in June 2000 to exchange views on possible analytical support and technical assistance that could be provided by international agencies and research institutions and to explore the possibilities for synergies and collaboration among agencies in the provision of this assistance.

***Commonwealth Secretariat***

23. According to the findings of the Commonwealth Secretariat's recent publication "*The WTO Agreement on Agriculture and Food Security*", the key determinants of food security are: (i) product-based entitlements; (ii) trade-based entitlements; (iii) labour-based entitlements; (iv) transfer-based entitlements. An indicator to a country's food insecurity situation could be composed of the following factors: low production capacity, vulnerable trade, and high dependency on food aid. Countries which are food-insecure have chosen to tackle this problem through a number of policies: food production policies can utilize tools such as input credits, subsidies on inputs, R&D, investment promotion, and land reform; trade policies include market development and regulation, parastatal reform, food price stabilization (which can be pursued through the establishment of buffer stocks); labour policies can target high-value export crops, small and medium-size enterprise development, micro finance, minimum wages, transfers and safety nets, employing policy instruments such as labour-intensive public works programmes, targeted feeding programmes, food stamps and food price subsidies. The outcome of the multilateral trade negotiations would affect the food security policy of countries as they: (i) introduce changes to the policies that impact directly on entitlements (e.g. by altering food prices paid by consumers or received by producers);

and (ii) alter the feasibility of some policies that promote or protect entitlements. The types of changes which could be introduced to ensure legitimate demands for food security in LDCs and NFIDCs are summarized in the following table:

| Area | Types of change | Potential instruments |
|---|---|---|
| Domestic support | Erosion of SDT provision on investment and input subsidies | Recalculation of AMS<br>Redesign of green box area |
| Tariffs | Removal of "water" from tariffs before end of developed country subsidized products | Provision of SSGs<br>Countervailing duties |
| Export subsidies | Reduction of subsidized imports available to vulnerable countries and groups that is more rapid than feasible adjustments | Targeting of concessional food (possibly outside WTO framework) |

***International Food Policy Research Institute (IFPRI)***

24. Concerning the issue of food security at the national level, the question to be answered is: are the categories used under the WTO agreements the right ones? The category of LDCs is a good indicator, but there are some non-LDCs that appear food-insecure, and there are a very few LDCs that are food-security neutral. The category of NFIDC does not do as well, with only 11 out of 19 countries appearing in the food-insecure categories. This finding is based on a cluster analysis of 167 countries, including 42 LDCs and all 19 NFIDCs. Five variables are considered: calories per capita, proteins per capita, food production per capita, the importance of the food bill in relation to total exports of goods and services, and the proportion of rural population. In this study, the countries were divided into 12 clusters, four of which showed problems of food insecurity. Considering specific policies, what is good about Article 6.2 of the Agreement on Agriculture is that it allows developing countries to design domestic support measures (input subsidies and investment subsidies) according to their development and poverty alleviation programme. One thing to be kept in mind is that if green box measures cost money, as is often said, so does protectionism, and the bill in the latter case would be paid by domestic consumers. It is normal that one would still need some measures to protect oneself from a sudden surge of imports. The problem of food aid is that it is cyclical, meaning that when prices are low, one gets a lot of aid, while when prices are high, there is not enough aid available. Food aid should be counter-cyclical. There are also many global problems that influence food security: (i) agricultural protectionism in developed countries; (ii) financial instability and indebtedness; (iii) wars and other conflicts. The last point is a crucial one and should receive greater attention from negotiators.

***World Trade Organization (WTO)***

25. With regard to the state of implementation of the Marrakesh Decision, the monitoring of the Decision is on the agenda of virtually all meetings of the WTO Committee on Agriculture. With respect to the four mechanisms (i.e. food aid, technical and financial assistance, export credits, and access to resources of international financial institutions)

established to address the possible negative effects resulting from the reform programme, a new Food Aid Convention was negotiated during the period 1997/99 and came into force in July 1999. While the aggregate food aid commitments under the new FAC will be lower in volume terms than under the previous one, the new FAC contains some improvements, such as a broader product coverage. As for technical and financial assistance, the monitoring of implementation is not an easy task, since technical and financial assistance is essentially a bilateral matter between donors and recipients. Nonetheless, WTO donor members will be required to notify their assistance to the WTO Committee on Agriculture. On export credits, negotiations on an understanding on agriculture export credits have been under way for several years in the OECD. Regarding access to resources of international financial institutions, IMF confirmed that any short-term balance-of-payments difficulties could be adequately met with its existing financing facilities, and the World Bank also sees no need to establish a special Uruguay Round adjustment facility. In view of the status of the Decision in the current WTO negotiations in agriculture within the scope of Article 20, special and differential treatment (S & D), as well as the possible negative effects of the implementation of the reform programme on LDCs and NFIDCs, should be taken into account in these negotiations. On the agricultural trade performance of LDCs and NFIDCs, in terms of broader agricultural products rather than basic foodstuffs, the export growth of 7 of the 19 NFIDCs and half of the LDCs exceeds import growth. Six of the NFIDCs are net exporters of agricultural products, and Côte d'Ivoire, Sri Lanka and Kenya show a significant increase in their net exports.

***Organization for Economic Cooperation and Development (OECD)***

26. The representative of OECD gave a presentation on the agricultural trade policy concerns of emerging and transition economies (ETEs). This presentation drew on the OECD's recent publication "Agricultural Polices in Emerging and Transition Economies 2000", and focused on what ETEs stand to gain or lose from reforms in the areas of market access, export competition and domestic support. Whereas trade has served as an engine of growth in the case of industry, this has not been the case with agriculture. A major reason for the limited growth of agricultural trade has been protection: bound tariffs on agricultural products are, on average, at the same level as bound tariffs on industrial products 50 years ago. Developing countries have been major losers, as their share of OECD agricultural markets has not increased in the last 20 years. Developing countries have a basic common interest in a liberal trading regime. However, there are important areas where the interests of developing countries diverge (e.g. exporters may have different interests from net importers), and this complexity of interests needs to be addressed so that all countries can benefit from trade reform. A range of questions related to transparency and fairness will need to be addressed in forthcoming negotiations, and the OECD's publication contains a discussion of how this might be accomplished in practice.

## 3. Summary of the deliberations in the Expert Meeting

27. In the presentations of country experiences and discussions thereof, the Meeting identified several factors that are common in the agricultural sector of participating LDCs and NFIDCs. Those factors include: food security as a major policy objective; dependency on food imports; primordial production technology (e.g. high dependency on rainfall);

concentration on few export crops, especially on cash crops, often as a residual of the agricultural policy of the colonial period; extreme poverty of the rural agricultural population; a fairly liberal agricultural trade regime due to unilateral liberalization; and high interest in agricultural export promotion and diversification.

28. In the debate that took place, the following issues were raised as major areas of concern of LDCs and NFIDCs.

29. Agriculture is an essential economic and social sector for the majority of LDCs and NFIDCs. Rapid market liberalization and reduction of domestic support under structural adjustment programmes, which many LDCs and NFIDCs have undergone in the last 15 years, may have harmed the competitiveness and the viability of their agricultural activities through, *inter alia*, an inflow of imports of key staples. The viability of the rural population, which consists predominantly of small-scale rural subsistence farmers, is closely linked to poverty alleviation. For this reason, there is a need to differentiate agricultural activities in LDCs and NFIDCs in terms of commercial activity on the one hand and social necessity on the other, and the countries concerned then need to formulate a long-term development strategy that may include a flexible use of trade policy measures. While the Agreement on Agriculture brought agricultural trade under multilateral disciplines, it did not effectively address the problems of poverty and rural development.

30. Food security is a major policy objective of LDCs and NFIDCs, and food aid has helped meet short-term food security needs. However, food aid also presents a dilemma for LDCs and NFIDCs. It can be beneficial at times of crisis, but donated food aid can destroy the production capacity of a recipient country in the medium to long term. In addition, decisions over food aid provision by donor countries are often an integral part of donor countries' commercial policy, rather than of their development aid policy. The mechanism of donors purchasing products for food aid may be linked to elements that could be considered domestic support (e.g. market price support) or export subsidies. The actual cost and benefit of food aid, however, should be analysed according to country-specific considerations. The source of the problem may not be the provision of the food aid itself but the mechanism through which donated food is injected into the domestic market; food aid should complement, rather than compete with, domestic food production.

31. Food security may be affected by reduction commitments under the three pillars of the Agreement on Agriculture, i.e. export competition policy, market access and domestic support. Subsidized exports from major developed countries of key staples, including wheat, maize, pork and poultry meat, have been especially damaging to the production capacity of rural poor farmers in LDCs and NFIDCs due to their price disadvantages in the production of those products. The positive contribution of export subsidies to the food-import bills of LDCs and NFIDCs may have been overstated, as the quantity of subsidized exports is often counter-cyclical *vis-à-vis* agricultural price changes (i.e. the higher agricultural prices are, the lower the level of subsidized exports). Export subsidies also erode the export potential of the products of LDCs and NFIDCs not only in the international market but also in their traditional regional or subregional markets. Early elimination of export subsidies would be the first step in ensuring a level playing field between developing countries and developed

countries. LDCs that are not required to make reduction commitments on export subsidies may, however, maintain the flexibility to enhance their export potentials. As for export credits, there should be substantive analysis of their possible trade-distorting effects. In this context, interests and concerns of LDCs and NFIDCs should be examined.

32. LDCs and NFIDCs should also look at the export aspects of the reform process, given that many of those countries are highly dependent on foreign exchange earnings from agricultural exports. While export development is important to many LDCs and NFIDCs, the implementation of the Uruguay Round Agreements has not visibly improved their market access opportunities. Tariff peaks and tariff escalation persistently pose problems for the exports and production diversification of LDCs and NFIDCs. Increasingly, the SPS measures of developed countries have become a major barrier against exports from developing countries, as the need to comply with SPS regulations increases production costs due to the high cost of certification and delays in authorization, etc. Developing countries, especially LDCs, do not have the technological capacity to comply fully with the SPS regulations set by major developed countries. The majority of LDCs and NFIDCs are beneficiaries of preferential market access provided by developed countries. While aggregate studies suggest that the trade impact of multilateral tariff liberalization in agriculture on preferential margins may have been moderate, country-specific cases reveal that the cost of the preference erosion for some LDCs and NFIDCs is significant.

33. In the area of domestic support, a large gap in the value of the total AMS between developed and developing countries is a major source of imbalance. Furthermore, the current scheme of domestic support measures that are exempted from reduction commitments, namely the Green Box and the Blue Box, is largely based on the needs of developed countries, which have the necessary financial capacity and which have increased their support under those provisions since 1995. The trade implication of this increase in support, particularly in the Blue Box, would need to be determined. In LDCs and NFIDCs, domestic support measures are closely linked to social policy objectives such as rural poverty alleviation. While LDCs and NFIDCs may be encouraged to make more active use of well targeted Green Box measures, the Green Box provisions contain few elements of special and differential treatment for developing countries.

34. Establishment of the Development Box could be a comprehensive way to provide developing countries with flexibility in using trade policy measures to meet their development objectives. However, a major analysis would be required to determine the provisions to be included in the Development Box. Although temporary measures to protect domestic farmers against imports may be desired, attention should be given to improving export capacity and product quality. Attention should also be given to measures to ensure that the development of South-South trade, which has considerable potential, would not be impeded.

# III. ORGANIZATIONAL MATTERS

## A. Convening of the Expert Meeting

35. At the consultations of the President of the Trade and Development Board with the Bureau, coordinators and interested delegations on 31 March 2000, member States decided to convene an Expert Meeting on the Impact of the Reform Process in Agriculture on Least Developed Countries (LDCs) and Net Food Importing Developing Countries and Ways to Address Their Concerns in Multilateral Trade Negotiations. The decision was made in accordance with the UNCTAD X Plan of Action (TD/386).

## B. Election of officers
(Agenda item 1)

36. At its opening meeting, the Expert Meeting elected the following officers to serve on its Bureau:

| | |
|---|---|
| Chairperson: | H.E. Mr. Ransford A. Smith (Jamaica) |
| Vice-Chairperson-cum-Rapporteur: | Mr. Gashaw Debebe (Ethiopia) |

## C. Adoption of the agenda

37. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in TD/B/COM.1/EM.11/1. Accordingly, the agenda of the Meeting was as follows:

1. Election of officers
2. Adoption of the agenda and organizational work
3. The impact of the reform process in agriculture on LDCs and net food-importing developing countries - Assessment of country-specific concerns
4. Ways to address their concerns in the multilateral trade negotiations
5. Adoption of the outcome of the Meeting

## D. Documentation

38. For its consideration of the substantive agenda items (items 3 and 4), the Expert Meeting had before it a background note by the UNCTAD secretariat entitled "Impact of the reform process in agriculture on LDCs and net food-importing developing countries, and ways to address their concerns in multilateral trade negotiations" (TD/B/COM.1/EM.11/2).

## E. Adoption of the outcome of the Meeting
(Agenda item 5)

39. At its closing meeting, on 26 July 2000, the Expert Meeting adopted the outcome of the Meeting reproduced in section I above.

**Annex**

ATTENDANCE *

1. Experts from the following States members of UNCTAD attended the Meeting:

Algeria
Angola
Argentina
Australia
Azerbaijan
Belarus
Belgium
Bhutan
Bolivia
Brazil
Burkina Faso
Cameroon
Canada
Chad
China
Colombia
Comoros
Costa Rica
Cuba
Democratic Republic of the Congo
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
France
Germany
Guinea
Guyana
India
Indonesia
Italy
Jamaica
Japan
Kenya
Kyrgyzstan
Lesotho
Madagascar
Malaysia
Mali
Mauritania
Mauritius
Mexico
Morocco
Myanmar
Nepal
Netherlands
Nicaragua
Norway
Oman
Pakistan
Palestine
Paraguay
Peru
Philippines
Russian Federation
Rwanda
Sao Tome and Principe
Senegal
Spain
Sri Lanka
Sudan
Suriname
Switzerland
Tajikistan

* For the list of participants, see TD/B/COM.1/EM.11/INF.1.

Thailand
Togo
Trinidad and Tobago
United Kingdom of Great
Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Viet Nam
Zimbabwe

2. The following intergovernmental organizations were represented at the session:

Arab Labour Organization
Cocoa Producers' Alliance
Commonwealth Secretariat
European Community
League of Arab States
Organisation for Economic Co-operation and Development

3. The following specialized agencies and related organization were represented at the session:

International Labour Organisation
Food and Agriculture Organization of the United Nations
International Monetary Fund
United Nations Industrial Development Organization
World Trade Organization

4. The United Nations Environment Programme was represented at the session.

5. The following non-governmental organizations were represented at the session:

**General Category**

ActionAid
International Chamber of Commerce
Latin American Association of Development Financing Institutions
World Confederation of Labour
World Federation of United Nations Associations
World Vision International

**Special Category**

European Committee of Sugar Manufacturers
International Food Policy Research Institute

Specially Invited

Catholic Institute for International Relations
Réseau des ONGs sur l'agro-alimentaire, le commerce, l'environnement et le développement